

## **City of Johannesburg Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2019

### **Municipal Manager's approval of the Annual Financial Statements**

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I am responsible for the preparation of the Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act, which I have hereby signed on behalf of the Municipality.

The Annual Financial Statements have been prepared in accordance with the MFMA and Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.



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**Accounting Officer**  
**Designation**



CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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### MAYORAL COMMITTEE

Executive Mayor

30 June 2019

Herman Mashaba (Chairperson)

Councillors

30 June 2019

Vasco da Gama (Speaker of Council)

Funzela Ngobeni (Finance)

Leah Ruth Knott (Economic Development)

Reuben Mlungisi Masango (Development Planning and Urban Management)

Nonhlanhla Helen Makhuba (Transportation)

Nico De Jager (Environment and Infrastructure Services)

Mpho Phalatse (Health and Human Development)

Valencia Ntombi Khumalo (Corporate and Shared Services)

Michael Sun (Public Safety)

Nonhlanhla Sifumba (Community Development)

M Van Wyk (Housing)

Dr Kevin Wax (Chief Whip)

Alex Christians (Chair of Chairpersons)

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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### GRADING OF LOCAL AUTHORITY

The City of Johannesburg Metropolitan Municipality is a Grade Six Local Authority in terms of Item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.

### CITY MANAGER

Ndivhoniswani Lukhwareni

### CHIEF FINANCIAL OFFICER

Manenzhe Manenzhe

### REGISTERED OFFICE

Metropolitan Centre  
158 Loveday Street  
Braamfontein  
Johannesburg  
2001  
Telephone:  
+27 (0)11 407 - 6111  
Facsimile:  
+27 (0)11 339 - 5704

### POSTAL ADDRESS

P O Box 1049  
Johannesburg  
2000

### BANKERS

Standard Bank

### AUDITORS

The Office of the Auditor-General : Gauteng  
Registered Auditors  
39 Scott Street  
Braamley  
2090  
PO Box 91081  
Auckland Park  
2006

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Index

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The reports and statements set out below comprise the Annual Financial Statements:

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# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Index

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AUC	Assets Under Construction
BESA	Bond Exchange South Africa
BRT	Bus Rapid Transit
CJMM	City of Johannesburg Metropolitan Municipality
WIP	Work In Progress
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium Term Note
EAC	Executive Adjudication Committee
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
IPSAS	International Public Sector Accounting Standards
JSE	Johannesburg Stock Exchange
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
NDR	Non-distributable Reserve
PAYE	Pay As You Earn
PPE	Property, plant and equipment
SARS	South Africa Revenue Services
SCA	Supreme Court of Appeal
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
USDG	Urban Settlement Development Grant
VAT	Value Added Taxation

# **City of Johannesburg Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June 2019

## **Municipal Manager's approval of the Annual Financial Statements**

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**Accounting Officer**  
**Designation**

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand thousand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	78 504	78 040
Loans to Municipal Entities	4	1 087 460	841 658
Other financial assets	5	33 310	16 101
Finance lease receivables	6	141 756	105 200
Receivables from exchange transactions	7&9	8 793 961	6 735 039
Receivables from non-exchange transactions	8&9	1 686 693	1 285 053
VAT receivable		213 169	420 702
Financial assets at fair value	10	1 292 512	784 006
Cash and cash equivalents	11	4 673 485	1 821 807
		<b>18 000 850</b>	<b>12 087 606</b>
<b>Non-Current Assets</b>			
Investment property	12	1 000 144	1 000 144
Property, plant and equipment	13	43 538 204	40 735 982
Intangible assets	14	925 349	586 704
Heritage assets	15	596 186	596 191
Investments in Municipal Entities	16	643 484	628 500
Loans to Municipal Entities	4	6 069 090	6 387 712
Other financial assets	5	60 596	68 454
Finance lease receivables	6	93 801	132 362
Financial assets at fair value	10	1 384 772	2 052 797
		<b>54 311 626</b>	<b>52 188 846</b>
<b>Total Assets</b>		<b>72 312 476</b>	<b>64 276 452</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Loans and Borrowings	18	948 039	760 928
Finance lease obligation	19	59 991	38 274
Financial liabilities at fair value		-	156 219
Payables from exchange transactions	20	12 797 595	11 025 362
Unspent conditional grants and receipts	21	314 983	201 572
		<b>14 120 608</b>	<b>12 182 355</b>
<b>Non-Current Liabilities</b>			
Loans from MEs	53	438 146	426 338
Loans and Borrowings	18	21 084 678	19 130 295
Finance lease obligation	19	97 086	113 039
Financial liabilities at fair value		-	450 398
Employee benefit obligation	23	1 021 491	1 076 024
Provisions	22	135 061	123 695
Deferred income	24	78 147	64 332
Consumer deposits	26	17 240	16 748
		<b>22 871 849</b>	<b>21 400 869</b>
<b>Total Liabilities</b>		<b>36 992 457</b>	<b>33 583 224</b>
<b>Net Assets</b>		<b>35 320 019</b>	<b>30 693 228</b>
Accumulated surplus		35 320 020	30 693 228

\* See Note 42



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand thousand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rendering of services	28	576 698	523 237
Rental of facilities and equipment		140 318	130 083
Agency services		265 108	242 068
Other revenue	30	956 899	867 499
Finance Income	56	1 640 341	1 506 204
Reversal of Impairment	4	30 847	29 007
Fair value adjustments	38	447 098	210 257
<b>Total revenue from exchange transactions</b>		<b>4 057 309</b>	<b>3 508 355</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	12 372 032	9 110 560
<b>Transfer revenue</b>			
Government grants	29	10 294 887	9 206 115
Public contributions, donated and contributed property, plant and equipment		2 288	3 612
Fines, Penalties and Forfeits		560 309	211 547
<b>Total revenue from non-exchange transactions</b>		<b>23 229 516</b>	<b>18 531 834</b>
<b>Total revenue</b>		<b>27 286 825</b>	<b>22 040 189</b>
<b>Expenditure</b>			
Employee related costs	31	(7 677 035)	(6 146 101)
Remuneration of councillors	32	(162 088)	(156 206)
Depreciation and amortisation	33	(2 094 397)	(2 072 626)
Impairment losses	34	(331 159)	(67 622)
Finance costs	57	(2 544 277)	(2 631 347)
Debt Impairment and write off	35	(1 616 568)	(866 965)
Transfers and Subsidies	36	(4 094 638)	(3 684 590)
Loss on disposal of assets and liabilities		(11 930)	(292 851)
General Expenses	37	(4 127 936)	(4 618 947)
<b>Total expenditure</b>		<b>(22 660 028)</b>	<b>(20 537 255)</b>
<b>Surplus for the year</b>		<b>4 626 797</b>	<b>1 502 934</b>

\* See Note 42

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets as at 30 June 2019

Figures in Rand thousand	Hedging reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2017</b>	<b>(1 386)</b>	<b>29 190 294</b>	<b>29 188 908</b>
Changes in net assets			
Amount recognise directly in other comprehensive income during the year	1 386	-	1 386
Net income recognised directly in net assets	1 386	-	1 386
Surplus for the year	-	1 502 934	1 502 934
Total recognised income and expenses for the year as previously reported	1 386	1 502 934	1 504 320
Total changes in net assets	1 386	1 502 934	1 504 320
Opening balance as previously reported	-	30 616 896	30 616 896
Adjustments			
Prior year adjustments	-	76 327	76 327
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>-</b>	<b>30 693 223</b>	<b>30 693 223</b>
Changes in net assets			
Surplus for the year	-	4 626 797	4 626 797
Total changes	-	4 626 797	4 626 797
	-	-	-
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>35 320 020</b>	<b>35 320 020</b>

\* See Note 42

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand thousand	Note(s)	2019	2018 Restated*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Cash receipts from customers		11 304 090	9 042 069
Grants		10 319 921	8 853 572
Finance income		1 233 156	943 110
		<u>22 857 167</u>	<u>18 838 751</u>
<b>Payments</b>			
Cash paid to suppliers and employees		(14 720 057)	(14 055 609)
Finance costs		(2 519 029)	(2 353 710)
		<u>(17 239 086)</u>	<u>(16 409 319)</u>
<b>Net cash flows from operating activities</b>	39	<b>5 618 081</b>	<b>2 429 432</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of capital assets	13&14	(5 212 706)	(4 537 048)
Loans redeemed from municipal entities		917 675	1 077 986
Net investment in sinking fund		-	959 473
Net finance lease receivables		80 724	(69 887)
Investment in Municipal entities		(14 984)	(32 144)
Other financial assets		(9 350)	2 475
Loans to Municipal Entities		(487 646)	(416 704)
<b>Net cash flows from investing activities</b>		<b>(4 726 287)</b>	<b>(3 015 849)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		4 349 726	5 998 386
Repayment of Liabilities from MEs		(16 036)	(609)
Repayment of borrowings		(2 208 232)	(6 211 059)
Finance lease obligation		(45 343)	(44 002)
Repayment of post retirement benefits		(116 736)	(115 584)
Repayment Provisions		(3 495)	-
<b>Net cash flows from financing activities</b>		<b>1 959 884</b>	<b>(372 868)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2 851 678</b>	<b>(959 285)</b>
Cash and cash equivalents at the beginning of the year		1 821 807	2 781 090
<b>Cash and cash equivalents at the end of the year</b>	11	<b>4 673 485</b>	<b>1 821 805</b>

\* See Note 42

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Figures in Rand thousand

### Statement of Financial Performance

#### REVENUE

##### REVENUE FROM EXCHANGE TRANSACTIONS

Rendering of Service	929 050	(224 899)	<b>704 151</b>	576 698	<b>(127 453)</b>
Rental of facilities and equipment	163 761	-	<b>163 761</b>	140 318	<b>(23 443)</b>
Agency services	266 281	-	<b>266 281</b>	265 108	<b>(1 173)</b>
Other income	1 313 761	(334 693)	<b>979 068</b>	956 899	<b>(22 169)</b>
Interest received	1 606 796	(28 953)	<b>1 577 843</b>	1 640 341	<b>62 498</b>
<b>Total revenue from exchange transactions</b>	<b>4 279 649</b>	<b>(588 545)</b>	<b>3 691 104</b>	<b>3 579 364</b>	<b>(111 740)</b>

##### REVENUE FROM NON-EXCHANGE TRANSACTIONS

##### TAXATION REVENUE

Property rates	10 098 983	903 436	<b>11 002 419</b>	12 372 032	<b>1 369 613</b>
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##### TRANSFER REVENUE

Government grants	10 584 293	(120 333)	<b>10 463 960</b>	10 294 887	<b>(169 073)</b>
Public contributions and donations	-	-	-	2 288	<b>2 288</b>
Fines, Penalties and Forfeits	449 783	120 000	<b>569 783</b>	560 309	<b>(9 474)</b>

<b>Total revenue from non-exchange transactions</b>	<b>21 133 059</b>	<b>903 103</b>	<b>22 036 162</b>	<b>23 229 516</b>	<b>1 193 354</b>
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<b>Total revenue</b>	<b>25 412 708</b>	<b>314 558</b>	<b>25 727 266</b>	<b>26 808 880</b>	<b>1 081 614</b>
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#### EXPENDITURE

Employee Related costs	(7 704 281)	96 151	<b>(7 608 130)</b>	(7 677 035)	<b>(68 905)</b>
Remuneration of councillors	(170 336)	-	<b>(170 336)</b>	(162 088)	<b>8 248</b>
Depreciation and amortisation	(2 728 064)	28 892	<b>(2 699 172)</b>	(2 094 397)	<b>604 775</b>
Impairment losses	-	-	-	(331 159)	<b>(331 159)</b>
Finance costs	(2 468 053)	24 095	<b>(2 443 958)</b>	(2 544 277)	<b>(100 319)</b>
Allowance for impairment of current receivables	(660 692)	(39 000)	<b>(699 692)</b>	(1 616 568)	<b>(916 876)</b>
Transfers and Subsidies	(4 199 532)	3 352	<b>(4 196 180)</b>	(4 094 638)	<b>101 542</b>
General Expenses	(5 789 012)	430 146	<b>(5 358 866)</b>	(4 127 936)	<b>1 230 930</b>

<b>Total expenditure</b>	<b>(23 719 970)</b>	<b>543 636</b>	<b>(23 176 334)</b>	<b>(22 648 098)</b>	<b>528 236</b>
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<b>Operating surplus</b>	<b>1 692 738</b>	<b>858 194</b>	<b>2 550 932</b>	<b>4 160 782</b>	<b>1 609 850</b>
(Loss) gain on disposal of assets	20 000	13 358	<b>33 358</b>	(11 930)	<b>(45 288)</b>
Reversal of Impairment	-	-	-	30 847	<b>30 847</b>
Fair value adjustments	-	-	-	447 098	<b>447 098</b>

	<b>20 000</b>	<b>13 358</b>	<b>33 358</b>	<b>466 015</b>	<b>432 657</b>
<b>Surplus for the year</b>	<b>1 712 738</b>	<b>871 552</b>	<b>2 584 290</b>	<b>4 626 797</b>	<b>2 042 507</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Figures in Rand thousand

A detailed description of the variances that management considers as material is provided below:

**Rendering of Service** - This line item is under budget due to the demand for advertising being less than anticipated due to outdoor advertising bylaws being challenged in court, therefore, no new advertising contracts could be entered into pending the outcome of the court case.

**Rental of facilities and equipment** - The rental of facility is under budget due to demand for rental of halls being less than forecasted and also to EAC not approving new applications in respect of commercial property rentals.

**Other income** - Other income is under budget due to a decline in the number of credit control cut off notices sent to customers who have long outstanding balances.

**Property rates** - Property rates is over budget as a result of change in the market value of existing properties and also the increase in new property registrations.

**Public contributions and donations** - The revenue from public contribution is dependent on the generosity of the public

**Fines, Penalties and Forfeits** - Fines are under budget due to the number of traffic fines issued to traffic law offenders being less than projected.

**Depreciation and amortisation** - Depreciation is under budget due to assets under construction being completed later than anticipated.

**Allowance for impairment of current receivables** - Allowance for impairment is over budget due to the increase in debtors not collected.

**General Expenses** - The general expenses is under budget due to expiry of the repairs and maintenance contract for which the procurement process for the new contract is in progress.

**Fair value adjustments** - The fair value is due to increase in the value of the sinking fund and not budgeted for.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2019</b>											
<b>Financial Performance</b>											
Property rates	10 098 983	903 436	11 002 419	-		11 002 419	12 372 032		1 369 613	112 %	123 %
Service charges	929 050	(224 899)	704 151	-		704 151	576 698		(127 453)	82 %	62 %
Investment revenue	1 606 796	(28 953)	1 577 843	-		1 577 843	1 640 341		62 498	104 %	102 %
Transfers recognised - operational	8 240 403	(115 231)	8 125 172	-		8 125 172	7 994 057		(131 115)	98 %	97 %
Other own revenue	2 213 586	(201 335)	2 012 251	-		2 012 251	2 400 579		388 328	119 %	108 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>23 088 818</b>	<b>333 018</b>	<b>23 421 836</b>	<b>-</b>		<b>23 421 836</b>	<b>24 983 707</b>		<b>1 561 871</b>	<b>107 %</b>	<b>108 %</b>
Employee costs	(7 704 281)	96 151	(7 608 130)	-	-	(7 608 130)	(7 677 035)	-	(68 905)	101 %	100 %
Remuneration of councillors	(170 336)	-	(170 336)	-	-	(170 336)	(162 088)	-	8 248	95 %	95 %
Debt impairment	(660 692)	(39 000)	(699 692)			(699 692)	(1 616 568)	-	(916 876)	231 %	245 %
Depreciation and asset impairment	(2 728 064)	28 892	(2 699 172)			(2 699 172)	(2 425 556)	-	273 616	90 %	89 %
Finance charges	(2 468 053)	24 095	(2 443 958)	-	-	(2 443 958)	(2 544 277)	-	(100 319)	104 %	103 %
Transfers and grants	(4 199 532)	3 352	(4 196 180)	-	-	(4 196 180)	(4 094 638)	-	101 542	98 %	98 %
Other expenditure	(5 789 012)	430 146	(5 366 066)	-	-	(5 366 066)	(4 139 866)	-	1 226 200	77 %	72 %
<b>Total expenditure</b>	<b>(23 719 970)</b>	<b>543 636</b>	<b>(23 183 534)</b>	<b>-</b>	<b>-</b>	<b>(23 183 534)</b>	<b>(22 660 028)</b>	<b>-</b>	<b>523 506</b>	<b>98 %</b>	<b>96 %</b>
<b>Surplus/(Deficit)</b>	<b>(631 152)</b>	<b>876 654</b>	<b>238 302</b>	<b>-</b>		<b>238 302</b>	<b>2 323 679</b>		<b>2 085 377</b>	<b>975 %</b>	<b>(368)%</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	2 343 890	2 098	2 345 988	-		2 345 988	2 300 830		(45 158)	98 %	98 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	2 288		2 288	- %	- %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>1 712 738</b>	<b>878 752</b>	<b>2 584 290</b>	<b>-</b>		<b>2 584 290</b>	<b>4 626 797</b>		<b>2 042 507</b>	<b>179 %</b>	<b>270 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>1 712 738</b>	<b>878 752</b>	<b>2 584 290</b>	<b>-</b>		<b>2 584 290</b>	<b>4 626 797</b>		<b>2 042 507</b>	<b>179 %</b>	<b>270 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	5 688 262	169 527	5 857 789	-		5 857 789	5 264 501		(593 288)	- %	- %

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Statement of compliance

#### Basis of preparation and presentation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise.

Accounting policies applied in the current financial year are consistent to those of previous financial year

#### Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are presented in Rand thousand unless specified otherwise.

#### Going Concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly where material. Where the error is immaterial, the full effect of the error is accounted for in the current year. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly

### 1.1 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements in conformity with GRAP, management is required to use professional judgment, estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Future actual results could differ from these estimates which may be material to the Annual Financial Statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Effect of changes in estimates are accounted for on a prospective basis in the statement of financial performance.

#### Significant judgements include



## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### **Impairment of financial assets**

Where objective evidence of impairment loss on financial assets measured at amortised cost exists, the present value of the future cash flows of the financial assets discounted at the financial asset's original effective rate is determined and compared to the carrying value of the financial assets. The carrying amount of asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognised in the statement of financial performance.

#### **Allowance for slow moving, damaged and obsolete stock**

Management determines an estimate of a selling price and direct cost to sell to determine the net realisable value of inventory items. Allowance for obsolete stock is recognised when stock is slow moving and/or will not be used. The difference between the cost of inventory and the net realisable value is recognised in the statement of financial performance.

#### **Fair value estimation**

##### **Financial Instruments.**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analysis and option pricing models. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### **Impairment of property, plant and equipment**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality then estimate the recoverable service amount of the asset.

The excess of the carrying amounts over the recoverable amount is recognised as impairment loss in the statement of financial performance.

#### **Provisions, contingent liabilities and contingent assets**

Management's judgment is required when recognising and measuring provisions, contingent liabilities and contingent assets. Provisions are raised based on current information available to management.

A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

#### **Payables(Consumers with credit balances)**

City of Johannesburg (COJ) invoices clients for the following revenue components; electricity on behalf of City Power, water on behalf of Joburg Water, refuse on behalf of Pikitup and rates and taxes on behalf of COJ Core Administration. Revenue and corresponding debtor is allocated to each municipal entity based on the actual consumption/billing.

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

With regard to credit balances in consumer debtors, CJMM allocates credit balances to each entity using the 3 year billing for customers with credit balances at account level. In the event that the customer has no current billing and a credit balance exists, a three year annualised overall billed revenue will be used to determine the allocation rate. Management have applied judgements in determining the allocation basis.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/ (income) include a discount rate. Any changes in these assumptions will impact the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year which is used to determine the present value of estimated future cash outflows expected to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties.

#### Impairment of receivables

Impairment of receivables represent management's best estimate based on an assessment of the extent to which debtors have defaulted on payments due and their ability to make payments. This is performed on each category of debtors across all debtor classes.

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Useful life of PPE

The useful life of assets are based on management's estimates. Management considers the impact of technology, service requirements and the required return on assets to determine the optimum useful life expectation, where appropriate. The estimated residual value of assets is also based on management's judgment which takes into account the condition of assets at the end of their useful lives.

#### Budget information

For differences between budget and actual amounts management considers the amount and the nature of the difference and makes a judgements as to which differences are regarded as material. All material differences are explained in the notes to the annual financial statements.

### 1.3 Investment property

#### Definition

Investment properties are immovable land and/or buildings that are held to earn rental income and/or for capital appreciation. Investment property excludes owner-occupied property that is used in the production or supply of goods or services or for administrative purposes, or property held to provide a social service.

#### Recognition

Investment property is recognised as an asset when and only when it is probable that future economic benefits or service potential that is associated with the investment property will flow to the entity and the cost or fair value can be reliably measured.

#### Initial measurement

Investment property is initially measured at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or nominal value), its cost is its fair value as at the date of acquisition.

#### Subsequent measurement.

Cost model, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property comprise of land which is not depreciated.

Item	Useful life
Property - Land	Unlimited

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

#### Derecognition

The municipality derecognises investment property on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property which is recognised in surplus or deficit.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Property, plant and equipment

#### Definition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### Property held for strategic purposes

Land and buildings held for strategic purposes is property that, although not currently used as property plant and equipment, it is likely to be used in the production of or supply of goods and services or for administrative purposes in future because of certain legislation, policies, decisions or plans adopted by the Municipality.

#### Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted from the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and also depreciated separately.

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Item	Depreciation method	Average useful life (Years)
Buildings	Straight line	30
Plant and Equipment	Straight line	2-15
Furniture and fittings	Straight line	7
Motor vehicles	Straight line	3-5
Office equipment	Straight line	3-5
Infrastructure	Straight line	10-30
Community	Straight line	3-30
Emergency Equipment	Straight line	5-15
Land	Straight line	Unlimited
Bins and containers	Straight line	5-10
Library Books	Straight line	10
Specialised vehicles	Straight line	12-15
Other	Straight line	4-40

#### Subsequent measurement

PPE are shown at cost less accumulated depreciation and any accumulated impairment. Land is measured at cost less any impairment in value and is not depreciated since the useful life is considered to be indefinite.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready and available for its use as intended by management.

Property, plant and equipment with the exception of land are depreciated on a straight line basis over their expected useful lives to their estimate residual values. The depreciation method used for each asset reflects the pattern in which the asset's economic benefits or service potential has been expected to be consumed by the Municipality.

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Assets held under finance leases are depreciated based on the lower of lease term or expected useful life. When it is reasonable certain that ownership will be transferred to the lessee at end of lease term, the leased asset will be depreciated over the useful life of the asset. Depreciation is recognised in the statement of financial performance.

Subsequent expenditure is included in the cost of the asset when incurred, if it is probable that such expenditure will result in future economic benefits associated with the item flowing to the Municipality and the cost can be measured reliably.

The Municipality assesses at each reporting date whether there is any indication that its expectation about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such exists, the Municipality will revise the expected useful life and/or residual value accordingly. The change will be accounted for as a change in an accounting estimate in accordance with the relevant GRAP standard. In assessing whether there is any indication that the expected useful life of an asset has changed, the Municipality considers; the composition of the asset change during the reporting period and the factors influencing the change in the use of the asset. In assessing any indications pertaining to the residual value, the Municipality considers any changes regarding the expected timing of disposal of the asset.

The Municipality shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, it shall estimate the recoverable service amount of the asset.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

#### **Derecognition**

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is the difference between the sales proceeds and the carrying value, and is recognised in the statement of financial performance.

The municipality derecognises property, plant and equipment on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of property, plant and equipment is the difference between the net disposal proceeds, if any, and the carrying amount of the property, plant and equipment. Such difference is recognised in the statement of financial performance.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Intangible assets

#### Definition

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

#### Recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Intangible assets are initially recognised at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

#### Subsequent measurement

Under the cost model intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with finite useful life are amortised on the straight-line basis over their useful lives.

#### Item

Computer software, other

#### Useful life

3-10 years

#### Derecognition

The gain or loss arising from the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying value which is recognised in the statement of financial performance.

The municipality derecognises intangible assets; on disposal, when there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of intangible assets is the difference between the net disposal proceeds, if any, and the carrying amount of the intangible assets which is recognised in the statement of financial performance.

## Accounting Policies

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### 1.6 Heritage assets

#### Definition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

A heritage asset shall be recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- the cost or fair value of the asset can be measured reliably.

#### Initial measurement

A heritage asset that qualifies for recognition as an asset shall be measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

#### Subsequent measurement.

Heritage assets are recognised at cost less accumulated impairment. Due to high residual values and long economic lives, The municipality does not depreciate heritage assets.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset, and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Principles of assets transferred to heritage assets apply up until the date of transfer.

Heritage assets are not depreciated but the Municipality shall assess at each reporting date whether there is an indication that it may be impaired.

#### Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss arising from disposal and derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Investments in Municipal Entities

In the municipality's separate annual financial statements, investments in investments in municipal entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in shareholder loans that are accounted for in accordance with the accounting policy on Financial Instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

## Accounting Policies

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### 1.8 Interest in joint ventures

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Investment in joint venture is accounted at cost in the separate financial statement of the municipality.

Dividend received from the joint venture is accounted for in the statement of comprehensive income.

### 1.9 Financial instruments

#### Classification

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

#### Financial Assets

A financial asset is a) cash; b) a residual interest of another entity; or (c) a contractual right to:

- (i) Receive cash or another financial asset from another entity; or
- (ii) Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets consist of cash and cash equivalent, deposits, receivables and investments.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that is as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

To the extent that a financial asset has a maturity period of longer than 12 months, the value of these instruments will be reflected as a non-current asset.

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition (trade date).

#### Investments at Cost

Financial instruments (at cost) are investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These include investments in municipal entities. Financial instrument are initially held at cost and subsequently measured at cost less any impairment. Impairment loss is recognised in the statement of financial performance.



## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Financial assets at fair value

Financial assets at fair value comprise of derivatives and non-derivative financial instruments designated at fair value. On initial recognition the financial assets are measured at fair value. Subsequent to initial recognition, all changes to fair value are recognised through the statement of financial performance.

#### Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Receivables from exchange transactions

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of financial performance when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable are impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the statement of financial performance under operating expenses. When receivables are uncollectible, it is written off against the allowance account for receivables once council approval is obtained. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

All receivables are on accrual basis except for VAT which is on a cash basis.

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Financial liabilities

A financial liability is any liability that is a contractual obligation to: a) deliver cash or another financial asset to another entity; or b) exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial liabilities consist of interest-bearing borrowings, trade and other payables, bank overdrafts and interest-bearing money market borrowings, liabilities categorised at fair value through profit or loss and derivatives held for hedging (refer to accounting policy on hedge accounting).

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs.

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, except for financial liabilities at fair value through profit or loss or hedging instruments, which are measured at fair value.

Finance costs on financial liabilities at amortised cost are expensed in the statement of financial performance in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in the statement of financial performance when the liability is derecognised.

Gains and losses on financial liabilities at fair value through profit or loss arise from fair value movements and related transaction costs on these liabilities. These gains and losses are recognised in the statement of financial performance in the period in which they are incurred.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

#### Loans from municipal entities

Loans from municipal entities are classified as financial liabilities which are initially recognised at fair value and subsequently measured at amortised cost.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Hedge Accounting (Derivatives)

The municipality holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the municipality formally documents the relationship between the hedging instrument and hedged item. This includes the risk management objectives and strategy in undertaking the hedge transaction, hedged risk, and the methods that will be used to assess the effectiveness of the hedging relationship. The municipality conducts an assessment at the inception of the hedge relationship and on an on-going basis, to determine if the hedging instruments are "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. A cash flow hedge pertains to a highly probable transaction where exposure results in variation in cash flows that could ultimately affect reported statement of financial performance.

Derivatives are recognised initially at fair value, and attributable transaction costs are recognised in the statement of financial performance as incurred.

## Accounting Policies

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### 1.9 Financial instruments (continued)

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### **Cash flow hedges**

When a derivative is designated as the hedging instrument the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the statement of financial performance, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in net assets. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of financial performance.

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the statement of financial performance.

#### **Loans to (from) economic entities**

These include loans to and from controlling entities, fellow shareholder loans, shareholder loans, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Held to maturity

##### Receivables from exchange transactions

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

##### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

## Accounting Policies

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### 1.10 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

# City of Johannesburg Metropolitan Municipality

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## Accounting Policies

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### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

The municipality recognises assets and liabilities acquired under finance leases as assets and the associated obligation as liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The finance lease assets are depreciated at the same rates as owned property unless the municipality will not obtain ownership. Where there is no reasonable certainty that the municipality will obtain ownership by the end of lease term, the leased assets are depreciated over the shorter of the lease term and its useful life.

Minimum lease payments are apportioned between the finance charge and the outstanding capital portion, using the effective interest rate method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred. .

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on the straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The leased assets are presented in the statement of financial position according to the nature of assets. The municipality applies the same depreciation policy for leased assets (operating) as the normal depreciation policy for similar assets.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on the straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on the straight-line basis.

### 1.12 Inventories

#### Definition

Inventories are assets in the form of materials or supplies to be consumed in the production process or distributed in the rendering of services, held for sale or distribution in the ordinary course of operations, or in the process of production for sale or distribution.

## Accounting Policies

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### 1.12 Inventories (continued)

#### Recognition

Inventory is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value can be measured reliably.

#### Initial measurement

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### Subsequent measurement inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Management estimate, based on their assessment of quality and volume, the extent to which inventory on hand at the reporting date will be sold below cost.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The valuation of inventories is performed using the weighted average method.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### Derecognition

The municipality derecognises inventory on disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of inventory is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the inventory. Such difference is recognised in statement of financial performance.

### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

### 1.14 Internal reserves

#### Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is aimed to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense.

The municipality is an exempt employer in terms of Section 84 (1) (a) (ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish its own fund and administers this fund in terms of the COID Act.

The certificate of exemption issued by the Commissioner and prescribed by the COID Act requires the municipality to deposit cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the Municipality's continuing liability as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner.

A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner, and the Municipality is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds from the reserve to the expense account in the statement of financial performance.

### 1.15 Budget information

The municipality is typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.17 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

#### Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the municipality pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit funds are actuarially valued on the projected credit method.

Consideration is given to any event that could impact the funds up to end of the reporting period where the valuation is performed at an earlier date.

Past service costs are recognised immediately in the statement of financial performance in the reporting period in which the plan is amended.

Actuarial gains and losses are recognised in full in the statement of financial performance when they arise.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement. The Municipality does not only account for the legal obligation under formal terms but also for any constructive obligation that arises from the entity's informal practices.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation less fair value of planned assets out of which obligations are to be settled directly, plus any liability that may arise as a result of the minimum funding requirement.

#### Multi-employer plans

The municipality classifies a multi-employer plan either as the defined contribution plan or the defined benefit plan.

Under the defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

Under the defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

#### Gratuities

The economic entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

Actuarial gains and losses are recognised in full in the period in which they arise as income or expenditure.

#### Bonus pensionable service and medical boarding's.

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

## Accounting Policies

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### 1.18 Provisions and contingencies

Provisions are recognised when the municipality has a present obligation ( legal or constructive ) as a result of a past event and:

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Expense relating to provisions is presented in the statement of financial performance.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Where the effect of the time value of money is material, the amount of the provision is discounted to present value at the discount rate which is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

Additional disclosures of estimates of provisions are included in the provisions note.

Contingent assets and contingent liabilities are not recognised but are separately disclosed. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The City will recognise a provision if the definition and recognition criteria are met and if it fails to meet the criteria, a contingent liability will be disclosed.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, the municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue from exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange

Revenue is recognised at fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Revenue from sale of Bus ticket points

Revenue from the sale of ticket points are accounted for as a separately identifiable component of a sale for normal points and bonus points. Each point is equivalent to one Rand value. Bonus points are earned by customers only on purchases of points above the value of R50. Any bonus points not redeemed in 36 months (3 years) are subject to expiry thereafter and any deferred revenue previously recognised is then recognised as revenue.

Revenue arising from sale of bus tickets for both normal and bonus points is initially accounted for as deferred revenue (liability) in the statement of financial position and only recognised as revenue upon redemption of normal or bonus points, or upon the expiry date.

Revenue is recognised at the fair value for normal points and for bonus points revenue is recognised at fair value which is equivalent to the cost of transferring the points that is the consideration allocated to the bonus points and is measured by reference to the amount which the bonus points could be sold separately.

At the end of each period, deferred revenue is recognised which is measured at fair value of points earned which are yet to be redeemed.

## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When the specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

#### Income from agency services

Revenue arising from situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of commission or fee payable to the municipality for services performed.

#### Interest revenue

Interest revenue is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised on a time- proportion basis, in surplus or deficit, using the effective interest rate method.

### 1.20 Revenue from non-exchange transactions

Revenue is a gross inflow of economic benefits or service potential received which represents an increase in the net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions are generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from non-exchange transactions recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions (continued)

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines :

- Traffic fines issued in terms of the Criminal Procedures Act
- Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO ACT).

#### Criminal Procedures Act fines:

These fines are issued in terms of the Criminal Procedures Act and are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or (b) indicate that the offender must appear in Court on a specified day ( in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

#### Initial recognition:

An asset acquired through a non- exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non- exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure act fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the Municipality cannot recognise revenue and receivable until this judicial process has been completed and a reliable estimate can be made.

#### Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition.

#### AARTO traffic fines

These are fines issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

#### Initial recognition

An asset acquired through a non- exchange transaction shall initially be measured at fair value at the date of acquisition which is the best estimate of the inflow of economic benefits. An inflow of resources from a non- exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

The COJ is legally entitled to 50% of the face value of the fines, taking into account the best estimate of the inflow of economic benefits in terms of GRAP 23.

In terms of the AARTO ACT par 32(1) and (2), RTIA is legally entitled to receive 50% of the face value of such fine plus other administrative cost so incurred as compensation for their services in collecting and adjudication process.

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions (continued)

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

#### Conditional grants

Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the municipality initially incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. Revenue on such grants is recognised when the qualifying expenditure has been incurred and to the extent that conditions have been complied with.

#### Unconditional grants

Unconditional grants also includes grants with restrictions since restrictions do not include a requirement that the transferred asset, or future economic benefits or service potential be returned to the transferor if the asset is not deployed as specified, hence there is no obligation to the municipality.

The municipality recognises asset and revenue from unconditional grants upon receipt and/or when resources transferred meet the criteria for recognition as an asset and there is also no present obligation to the municipality to refund transferred resources to the transferor. Unconditional grants are measured at their fair value .

Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier. When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Revenue from rates is measured using gazetted tariffs.

Public contributions and donations including goods in-kind donations

Public contributions and donations are voluntary transfers of assets including cash or other monetary assets.

Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations.

Public contributions and donations (other than services in-kind) are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognised as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Public contribution and donations including goods in-kind are measured at their fair value as at the date of acquisition.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.21 Investment income

Investment income comprises interest income on funds invested. Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.23 Inkind services

The municipality does not recognise services in kind as revenue or assets, but separately discloses the nature and type of major classes of services in kind as a note to the financial statements.

### 1.24 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget as well as expenditure exceeding the limits of the amounts appropriated for in the different votes in the approved budget.

Depending on circumstances, identified unauthorised expenditure will be authorised by council in an adjustment budget, certified by municipal council as irrecoverable and written off by the council or recovered from a liable official or political office bearer. In cases where unauthorised expenditure is recoverable from an official or political office bearer this resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

### 1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure which was incurred and identified during the financial year and also written off by the council in terms of the MFMA, is only disclosed in the notes to annual financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be written off by the council is initially recognised as expenditure based on its nature and after further investigations classified to receivables and income. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

### 1.26 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the MFMA, Municipal Systems Act or the Public Office-Bearers Act, and which has not been written off in terms of the MFMA.

Irregular expenditure which was incurred and identified during the financial year and also written off by the council in terms of MFMA, is only disclosed in the notes to annual financial statements. Irregular expenditure which was incurred and identified during the current financial year but was still waiting to be written off by a council at year end, is only disclosed in the note to financial statements.



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Management is considered a related party, and comprises of the councillors, Executive Mayor, Mayoral Committee Members, City Manager, Chief Operating Officer, Executive Directors and Group Heads.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the municipality.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party relationships where control exists are disclosed. The municipality discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

### 1.28 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

### 1.29 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Reporting date means the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.30 Commitments

A commitment is a contract that is non-cancelable or only cancelable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Commitments are further split into capital and operating commitments.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature i.e. upgrading and/or construction of assets.

Operating commitments are amounts committed to acquire day-to-day goods and services required to sustain municipality's business operations.

Capital and operating commitments (Operating leases) are disclosed in the notes to the annual financial statements.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

In the current financial year, the Municipality has adopted effective new and revised standards and its interpretations issued by ASB. However, the municipality only adopted effective standards which are relevant to its business operations. :

The following Standards and Interpretations were issued but not yet effective in the current financial year:

<u>Name</u>	<u>Effective Date</u>
GRAP 20 - Related Parties	01 July 2019
GRAP 32 - Service Concession arrangements: Grantor	Not yet effective
GRAP 34 - Separate financial statements	Not yet effective
GRAP 35 - Consolidated financial statements	Not yet effective
GRAP 36 - Investment in associates and Joint ventures	Not yet effective
GRAP 37 - Joint Arrangements	Not yet effective
GRAP 38 - Disclosure in interest in other entities	Not yet effective
GRAP 108 - Statutory receivables	01 July 2019
GRAP 109 - Accounting by principles and agents	Not yet effective
GRAP 110 - Living and non-living resources	Not yet effective

Above-mentioned standards and interpretations which are relevant to the municipality's business operations will be adopted once they become effective.

The municipality applied the principles established in the Standard of GRAP that has been issued, effective 01 July 2019 in developing an appropriate accounting policy dealing with the Related Parties (GRAP 20).

Preliminary investigations indicated that, other than additional disclosure, the impact of the new standards on the financial statements will be minimal).

### 3. INVENTORIES

Consumable stores	76 231	75 767
Housing stock	2 273	2 273
	<b>78 504</b>	<b>78 040</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>4. LOANS TO (FROM) ECONOMIC ENTITIES</b>		
<b>Shareholder Loans</b>		
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 17.5% Maturity = 30 June 2026	581 814	581 814
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 14.5% Maturity 30 June 2026.	42 979	42 979
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 15% Maturity 30 June 2018.	-	-
	<b>624 793</b>	<b>624 793</b>
<b>Concessionary Loans</b>		
The Johannesburg Metro Trading Company(Pty) Ltd Terms and conditions: Rate range = 11.89% Maturity = 30 August 2035	1 694 008	1 550 508

The loan of R 1 302 551 354 was issued to Metro Trading company on the 1st of September 2015 with a capital and interest payment grace period of three years.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>4. LOANS TO (FROM) ECONOMIC ENTITIES (continued)</b>		
<b>Conduit loans</b>		
PIKITUP Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.18% Maturity = 30 June 2026	121 055	121 055
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 11.23% Maturity = 30 June 2026	201 391	219 351
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.56% Maturity = 30 June 2027	213 342	230 398
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = % Maturity = 30 June 2028	416 920	-
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	68 261
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2020	73 156	138 800
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2021	90 393	128 755
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.31% Maturity = 30 June 2022	166 804	212 873
City Power Johannesburg (Pty) Ltd Terms and conditions: Rate 9.65% Maturity = 30 June 2023	30 335	36 266
Pikitup Johannesburg (Pty) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2028	57 080	57 080
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.56% Maturity = 30 June 2027	121 727	131 021
Johannesburg Metropolitan Bus Services (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2018	-	-
Johannesburg Power (Pty) Ltd Terms and conditions: Rate = 10.,18% Maturity = 30 June 2024	581 379	666 328
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 9.88% Maturity = 30 June 2025	343 945	384 021
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 11.23% Maturity = 30 June 2026	368 091	400 918
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Jibar less 35bp Maturity = 15 May 2026	-	-
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.56% Maturity = 30 June 2028	492 552	-
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = 10.9% Maturity = 30 June 2019	-	63 617
Johannesburg Water (Pty) Ltd Terms and conditions: Rate = Rate = 10.9% Maturity = 30 June 2020	71 742	136 117

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>4. LOANS TO (FROM) ECONOMIC ENTITIES (continued)</b>		
Johannesburg Water (Pty) Ltd	290 031	331 464
Terms and conditions: Jibar plus 70pb		
Maturity = 15 May 2026		
Johannesburg Water (Pty) Ltd	90 550	128 979
Terms and conditions: Rate = 10.9%		
Maturity = 30 June 2021		
Johannesburg Water (Pty) Ltd	141 546	180 638
Terms and conditions: Rate = 9.31%		
Maturity = 30 June 2022		
Johannesburg Water (Pty) Ltd	361 776	432 515
Terms and conditions: Rate = 9.65%		
Maturity = 30 June 2023		
Johannesburg Water (Pty) Ltd	525 907	602 749
Terms and conditions: Rate = 10.18%		
Maturity = 30 June 2024		
Pikitup Johannesburg (Pty) Ltd	628	628
Terms and conditions: Rate = 14.15%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	2 937	2 937
Terms and conditions: Rate = 12.42%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	5 785	5 785
Terms and conditions: Rate = 10.2%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	19 701	19 701
Terms and conditions: Rate = 9%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	30 171	30 171
Terms and conditions: Rate = 10.2%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	14 379	14 379
Terms and conditions: Rate = 12.21%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	7 885	7 885
Terms and conditions: Rate range = 12.21%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	19 983	19 983
Terms and conditions: Rate range = 12.21%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	14 738	14 738
Terms and conditions: Rate range = 10.78%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	15 309	15 309
Terms and conditions: Rate range = 10.4%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	22 398	22 398
Terms and conditions: Rate range = 9.31%		
Maturity = 30 June 2026		
Pikitup Johannesburg (Pty) Ltd	27 265	27 265
Terms and conditions: Rate range = 9.65%		
Maturity = 30 June 2026		
City Power Johannesburg (Pty) Ltd	475 994	531 457
Terms and conditions: Rate range = 9.88%		
Maturity = 30 June 2025		
Pikitup Johannesburg (Pty) Ltd	60 065	60 065
Terms and conditions: Rate range = 11.23%		
Maturity = 30 June 2029		
Johannesburg Metropolitan Bus Services (Pty) Ltd	264 737	295 584
Terms and conditions: Rate = 9.88%		
Maturity = 30 June 2025		

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>4. LOANS TO (FROM) ECONOMIC ENTITIES (continued)</b>		
Pikitup Johannesburg (Pty) Ltd	104 982	104 982
Terms and conditions: Rate range = 9.88%		
Maturity = 30 June 2027		
Pikitup Johannesburg (Pty) Ltd	74 887	-
Terms and conditions: Rate range = 10.4%		
Maturity = 30 June 2030		
The Johannesburg Fresh Produce (Pty) Ltd	-	2 984
Terms and conditions: Rate range = 9%		
Maturity = 30 June 2019		
The Johannesburg Fresh Produce (Pty) Ltd	2 658	5 055
Terms and conditions: Rate range = 10.4%		
Maturity = 30 June 2020		
The Johannesburg Fresh Produce (Pty) Ltd	4 309	6 152
Terms and conditions: Rate range = 10.4%		
Maturity = 30 June 2021		
The Johannesburg Fresh Produce (Pty) Ltd	11 532	14 717
	5 940 065	5 873 381
	(1 102 316)	(819 312)
	<b>4 837 749</b>	<b>5 054 069</b>
Non-current assets	6 069 090	6 387 712
Current assets	1 087 460	841 658
	<b>7 156 550</b>	<b>7 229 370</b>
<b>Reconciliation of provision for impairment of loans to municipal entities</b>		
Opening balance	819 312	788 887
Additional impairment - Metro trading Company (Pty) Ltd	313 853	-
Additional impairment - Pikitup Johannesburg (Pty) Ltd	-	59 432
Reversal of impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd	(30 847)	(29 007)
	<b>1 102 318</b>	<b>819 312</b>

### Impairment of loan to Pikitup, Metro Bus and Metro Trading Company

The impairments relate to Pikitup, Metro bus and Metro trading company. Pikitup continues to service interest on the loans but has a default on the capital portion. Metrobus is still experiencing Cash flow challenges and the entity therefore remains financially constrained. Metrotrading Company's has not made any repayments towards the loan in the current year even though the amounts are due and payable

Reversal of impairment - Johannesburg Metropolitan Bus Services (Pty) Ltd

The reversal of impairment relates to the amount recovered from the entity.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>5. OTHER FINANCIAL ASSETS</b>		
<b>At amortised cost</b>		
Housing Selling scheme loans	41 238	41 726
Other loans and receivables	52 668	42 829
	<b>93 906</b>	<b>84 555</b>
<b>Non-current assets</b>		
At amortised cost	60 596	68 454
<b>Current assets</b>		
At amortised cost	33 310	16 101
<b>6. FINANCE LEASE RECEIVABLES</b>		
<b>Gross investment in the lease due</b>		
- within one year	150 886	111 702
- in second to fifth year inclusive	122 775	160 835
	273 661	272 537
less: Unearned finance revenue	(38 104)	(34 975)
Present value of minimum lease payments receivable	235 557	237 562
	<b>235 557</b>	<b>237 562</b>
<b>Present value of minimum lease payments due</b>		
- within one year	141 756	105 200
- in second to fifth year inclusive	93 801	132 362
	<b>235 557</b>	<b>237 562</b>
Non-current assets	93 801	132 362
Current assets	141 756	105 200
	<b>235 557</b>	<b>237 562</b>
COJ entered into a Finance lease with various MOEs for specialised vehicles. The interest rate implicit on the agreement is 10%.		
The unguaranteed residual values of assets leased under finance lease at the end of the reporting period amount to R 70 517 343 (2018: R 73 526 080).		
<b>7. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Prepayments	19 629	3 252
Operating lease receivables	21 530	20 902
Public Safety debtors	31 315	34 365
Sundry debtors	504 683	392 874
Fruitless and wasteful expenditure	12 188	12 188
Accrued VAT	376 517	361 491
Kelvin power	13 872	13 779
Related party debtors	7 783 490	5 868 634
Consumer debtors - Rentals	30 737	27 554
<b>Total trade and other receivables</b>	<b>8 793 961</b>	<b>6 735 039</b>



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Fines	491 390	106 096
Top Structure Debtors	205 142	246 433
Consumer debtors - Rates	990 161	932 524
	<b>1 686 693</b>	<b>1 285 053</b>
<b>9. CONSUMER DEBTORS DISCLOSURE</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	7 625 771	6 169 691
Consumer debtors - Housing Rentals	662 853	565 200
	<b>8 288 624</b>	<b>6 734 891</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(6 635 610)	(5 237 167)
Consumer debtors - Housing Rentals	(632 116)	(537 646)
	<b>(7 267 726)</b>	<b>(5 774 813)</b>
<b>Net balance</b>		
Consumer debtors - Rates	990 161	932 524
Consumer debtors - Housing Rentals	30 737	27 554
	<b>1 020 898</b>	<b>960 078</b>
<b>Rates</b>		
Current (0 -30 days)	347 750	296 899
31 - 60 days	185 977	180 722
61 - 90 days	165 386	47 453
91 - 120 days	101 681	60 432
121 - 365 days	43 002	73 786
> 365 days	146 365	273 232
	<b>990 161</b>	<b>932 524</b>
<b>Housing rentals</b>		
Current (0 -30 days)	8 791	7 991
31 - 60 days	137	138
61 - 90 days	135	137
91 - 120 days	134	137
121 - 365 days	133	148
> 365 days	21 407	19 003
	<b>30 737</b>	<b>27 554</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>9. CONSUMER DEBTORS DISCLOSURE (continued)</b>		
<b>Summary of consumer debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	336 793	257 974
31 - 60 days	205 286	226 075
61 - 90 days	173 064	64 430
91 - 120 days	172 752	132 942
121 - 365 days	872 920	612 822
> 365 days	2 358 889	2 114 381
	<b>4 119 704</b>	<b>3 408 624</b>
Less: Allowance for impairment	(3 617 839)	(2 931 621)
	<b>501 865</b>	<b>477 003</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	403 161	398 451
31 - 60 days	209 627	240 589
61 - 90 days	167 875	36 280
91 - 120 days	177 713	99 423
121 - 365 days	805 272	496 303
> 365 days	2 133 281	1 825 954
	<b>3 896 929</b>	<b>3 097 000</b>
Less: Allowance for impairment	(3 411 758)	(2 647 221)
	<b>485 171</b>	<b>449 779</b>
<b>National and provincial government</b>		
Current (0 -30 days)	29 779	5 581
31 - 60 days	13 888	13 284
61 - 90 days	15 778	1 174
91 - 120 days	11 864	5 795
121 - 365 days	47 535	41 849
> 365 days	153 146	161 584
	<b>271 990</b>	<b>229 267</b>
Less: Allowance for impairment	(238 127)	(195 970)
	<b>33 863</b>	<b>33 297</b>
<b>Total</b>		
Current (0 -30 days)	769 733	662 006
31 - 60 days	428 801	479 948
61 - 90 days	356 717	101 885
91 - 120 days	362 329	238 159
121 - 365 days	1 725 728	1 150 974
> 365 days	4 645 316	4 101 919
	<b>8 288 624</b>	<b>6 734 891</b>
Less: Allowance for impairment	(7 267 726)	(5 774 813)
	<b>1 020 898</b>	<b>960 078</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(413 193)	(357 116)
31 - 60 days	(242 688)	(299 088)
61 - 90 days	(191 195)	(54 294)
91 - 120 days	(260 514)	(177 590)
121 - 365 days	(1 682 593)	(1 077 040)
> 365 days	(4 477 543)	(3 809 685)

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>9. CONSUMER DEBTORS DISCLOSURE (continued)</b>		
	<b>(7 267 726)</b>	<b>(5 774 813)</b>
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	356 541	304 890
31 - 60 days	186 114	180 860
61 - 90 days	165 522	47 590
91 - 120 days	101 815	60 570
121 - 365 days	43 135	73 934
> 365 days	167 771	292 234
	<b>1 020 898</b>	<b>960 078</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(5 774 813)	(5 163 953)
Contributions to allowance	(1 492 913)	(610 860)
	<b>(7 267 726)</b>	<b>(5 774 813)</b>
<b>10. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE</b>		
The Debt redemption fund is a financial solution to assist the City of Johannesburg municipality meet its financial obligations.		
The City pays contributions into the fund which is managed by a 3rd party fund manager so as to enable the City to receive contribution plus growth. This forms part of the risk management framework adopted by the City.		
The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.		
Sinking Fund Maturity - 05.06.2023		
<b>Other financial assets through profit or loss</b>		
Bond	1 228 194	1 203 096
Floating rate note	-	305 882
Amortising Swap	24 198	188 110
Swaps	132 380	355 709
<b>Non-Current Assets</b>	<b>1 384 772</b>	<b>2 052 797</b>
<b>Other financial liabilities through profit or loss</b>		
Amortising Swap	-	15 546
Swaps	-	434 852
<b>Non-Current Liabilities</b>	<b>-</b>	<b>450 398</b>
<b>Other financial assets through profit or loss</b>		
Bond	-	88 681
Cash	986 463	225 965
Swaps	-	26 498
Floating rate Notes	306 049	442 862
<b>Current Assets</b>	<b>1 292 512</b>	<b>784 006</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 10. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)

#### Other financial liabilities through profit or loss

Bond	-	152 331
Forward Rate Agreements	-	1 203
Swaps	-	2 685
<b>Current Liabilities</b>	<b>-</b>	<b>156 219</b>

#### Financial assets carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	462 627	1 319 061
Held for trading non-derivative financial assets	2 214 657	1 517 742
	<b>2 677 284</b>	<b>2 836 803</b>

#### Financial liabilities carried at fair value through profit or loss

Derivatives designated and effective as hedging instruments carried at fair value	-	454 286
Held for trading non-derivative financial liabilities	-	152 331
	<b>-</b>	<b>606 617</b>

### 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	249	252
Bank balances	1 161 642	623 952
Call investment deposits	3 511 594	1 197 603
	<b>4 673 485</b>	<b>1 821 807</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>11. CASH AND CASH EQUIVALENTS (continued)</b>		
<b>Credit quality of cash at bank and short term deposits, excluding cash on hand</b>		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
<b>Call Deposits STD Bank Rating - (F1+)</b>		
Call Deposits STD Bank Rating (F1+)	599 045	104 027
<b>Fixed Deposits ABSA Rating (F1+)</b>		
Fixed Deposits ABSA Rating (F1+)	500 000	236
<b>Call Deposits ABSA Rating (F1+)</b>		
Call Deposits ABSA Rating (F1+)	218 982	865 774
<b>Call Deposits RMB Rating (F1+)</b>		
Call Deposits RMB Rating (F1+)	290 370	1 100
<b>Fixed Deposits RMB Rating (F1+)</b>		
Fixed Deposits RMB Rating (F1+)	450 000	-
<b>Call Deposits INVESTEC Rating (F1+)</b>		
Call Deposits INVESTEC Rating (F1+)	387 139	1 718
<b>Fixed Deposits INVESTEC Rating (F1+)</b>		
Fixed Deposits INVESTEC Rating (F1+)	171 200	92 107
<b>Call Deposits NEDBANK Rating (F1+)</b>		
Call Deposits NEDBANK Rating (F1+)	392 276	120 516
<b>Fixed Deposits NEDBANK Rating (F1+)</b>		
Fixed Deposits NEDBANK Rating (F1+)	500 000	-
<b>Call Deposits CITI BANK Rating (F1+)</b>		
Call Deposits CITI BANK Rating (F1+)	1 582	1 499
<b>Call Deposits DEUTSCHE BK Rating (F1+)</b>		
Call Deposits DEUTSCHE BK Rating (F1+)	1 000	1 000
<b>Call Deposits TCTA Rating (F1+)</b>		
Call Deposits TCTA Rating (F1+)	-	2 000
<b>Call Deposits LANDBANK Rating (F1+)</b>		
Call Deposits LANDBANK Rating (F1+)	-	1 930
<b>Stanlib Call Investments Rating (F1+)</b>		
Stanlib Call Investments Rating (F1+)	-	5 696
	<b>3 511 594</b>	<b>1 197 603</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 12. INVESTMENT PROPERTY

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 000 144	-	1 000 144	1 000 144	-	1 000 144

#### Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	1 000 144	1 000 144

#### Reconciliation of investment property - 2018

	Opening balance	Disposals	Total
Investment property	1 014 946	(14 802)	1 000 144

#### Pledged as security

No Investment property is pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

### 13. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 645 270	-	8 645 270	8 650 812	-	8 650 812
Buildings	15 084 940	(4 565 182)	10 519 758	14 307 613	(4 133 849)	10 173 764
Plant and equipment	393 150	(282 234)	110 916	354 048	(256 728)	97 320
Furniture and fittings	539 771	(449 052)	90 719	532 653	(423 589)	109 064
Motor vehicles	453 710	(306 575)	147 135	391 395	(290 522)	100 873
Office equipment	1 741 254	(1 077 275)	663 979	1 339 016	(948 790)	390 226
Infrastructure	27 742 816	(7 949 504)	19 793 312	24 813 537	(6 844 082)	17 969 455
Community	4 054 561	(1 140 979)	2 913 582	3 664 466	(1 011 289)	2 653 177
Other	11 341	(2 431)	8 910	8 780	(1 887)	6 893
Bins and containers	24 301	(14 264)	10 037	20 994	(12 843)	8 151
Specialised vehicles	940 541	(446 013)	494 528	838 534	(392 285)	446 249
Library books	671 598	(612 198)	59 400	671 599	(606 508)	65 091
Emergency equipment	117 207	(36 549)	80 658	95 777	(30 870)	64 907
<b>Total</b>	<b>60 420 460</b>	<b>(16 882 256)</b>	<b>43 538 204</b>	<b>55 689 224</b>	<b>(14 953 242)</b>	<b>40 735 982</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Depreciation	Impairment loss	Total
Land	8 650 812	769	-	(6 311)	-	-	8 645 270
Buildings	10 173 764	777 989	-	(474)	(431 210)	(311)	10 519 758
Plant and equipment	97 320	39 653	-	(7)	(26 050)	-	110 916
Furniture and fittings	109 064	11 970	-	(467)	(29 848)	-	90 719
Motor vehicles	100 873	62 318	-	-	(16 056)	-	147 135
Office equipment	390 226	417 545	-	(675)	(143 117)	-	663 979
Infrastructure	17 969 455	2 931 384	-	(238)	(1 090 294)	(16 995)	19 793 312
Community	2 653 177	390 810	-	(16)	(130 389)	-	2 913 582
Other	6 893	2 608	-	-	(591)	-	8 910
Bins and containers	8 151	3 533	-	(84)	(1 563)	-	10 037
Specialised vehicles	446 249	107 246	-	(3 638)	(55 329)	-	494 528
Library books	65 091	-	-	-	(5 691)	-	59 400
Emergency equipment	64 907	21 515	-	(17)	(5 747)	-	80 658
	<b>40 735 982</b>	<b>4 767 340</b>	<b>-</b>	<b>(11 927)</b>	<b>(1 935 885)</b>	<b>(17 306)</b>	<b>43 538 204</b>



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	8 903 137	3 071	(255 396)	-	-	8 650 812
Buildings	9 817 031	788 088	(23 889)	(407 466)	-	10 173 764
Plant and equipment	98 487	25 958	(17)	(26 068)	(1 040)	97 320
Furniture and fittings	131 266	9 010	(99)	(31 113)	-	109 064
Motor vehicles	118 998	-	-	(18 125)	-	100 873
Office equipment	436 849	99 988	(382)	(146 229)	-	390 226
Infrastructure	16 042 893	2 981 303	-	(1 047 591)	(7 150)	17 969 455
Community	2 400 671	392 676	(169)	(140 001)	-	2 653 177
Other	5 269	2 087	-	(463)	-	6 893
Bins and containers	6 859	3 485	-	(2 193)	-	8 151
Specialised vehicles	476 346	24 164	-	(54 261)	-	446 249
Library books	57 666	13 766	-	(6 341)	-	65 091
Emergency equipment	62 388	7 959	(22)	(5 418)	-	64 907
	<b>38 557 860</b>	<b>4 351 555</b>	<b>(279 974)</b>	<b>(1 885 269)</b>	<b>(8 190)</b>	<b>40 735 982</b>

#### Pledged as security

No Asset pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

The following leased assets are included in Property, Plant and Equipment listed above

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office equipment	119 826	(76 000)	43 826	67 884	(67 225)	659
BRT Busses	355 021	(249 542)	105 479	355 021	(219 956)	135 065
<b>Total</b>	<b>474 847</b>	<b>(325 542)</b>	<b>149 305</b>	<b>422 905</b>	<b>(287 181)</b>	<b>135 724</b>

Property, plant and equipment in the process of being constructed or developed

**Cumulative expenditure recognised in the carrying value of property, plant and equipment**

Buildings	1 622 083	996 484
Emergency equipment	43 226	29 293
Plant and machinery	15 398	13 773
Furniture and fixtures	7 284	2 248
Office equipment	373 753	170 157
Infrastructure	8 374 058	5 789 101
Community	1 667 810	1 302 984
	<b>12 103 612</b>	<b>8 304 040</b>

**Expenditure incurred to repair and maintain property, plant and equipment**

**Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance**

General expenses	221 846	164 306
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# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 14. INTANGIBLE ASSETS

	2019			2018		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 766 469	(1 841 120)	925 349	2 272 228	(1 685 524)	586 704

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 14. INTANGIBLE ASSETS (continued)

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	586 704	497 161	-	(158 516)	925 349

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	558 569	215 492	-	(187 357)	586 704

#### Pledged as security

No Asset pledged as security.

#### Intangible assets in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of Intangible assets

Computer software, other	583 722	331 862
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# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 15. HERITAGE ASSETS

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	534 604	-	534 604	534 609	-	534 609
Historical monuments	20 478	-	20 478	20 478	-	20 478
Historical buildings	41 104	-	41 104	41 104	-	41 104
<b>Total</b>	<b>596 186</b>	<b>-</b>	<b>596 186</b>	<b>596 191</b>	<b>-</b>	<b>596 191</b>

#### Reconciliation of heritage assets 2019

	Opening balance	Disposals	Total
Art Collections, antiquities and exhibits	534 609	(5)	534 604
Historical monuments	20 478	-	20 478
Historical buildings	41 104	-	41 104
<b>Total</b>	<b>596 191</b>	<b>(5)</b>	<b>596 186</b>

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Art Collections, antiquities and exhibits	534 609	534 609
Historical monuments	20 478	20 478
Historical buildings	41 104	41 104
<b>Total</b>	<b>596 191</b>	<b>596 191</b>

#### Pledged as security

No heritage assets pledged as security:

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>15. HERITAGE ASSETS (continued)</b>		
Heritage assets in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of Heritage assets		
Heritage assets under development	9 839	9 839

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand 2019 2018

### 16. INVESTMENTS IN MUNICIPAL ENTITIES

#### Gross investment

	% holding	% holding	Carrying	Carrying
	2019	2018	amount 2019	amount 2018
City of Johannesburg Property Company (Pty) Ltd	100 %	100 %	5 141	5 141
City Power Johannesburg (Pty) Ltd	100 %	100 %	112 466	112 466
Johannesburg City Parks	100 %	100 %	29 958	29 958
Johannesburg Development Agency (Pty) Ltd	100 %	100 %	16 278	16 278
Johannesburg Metropolitan Bus Services (Pty) Ltd	100 %	100 %	54 774	54 774
Johannesburg Roads Agency (Pty) Ltd	100 %	100 %	328 569	313 585
Johannesburg Social Housing Company (Pty) Ltd	100 %	100 %	-	-
Johannesburg Water (Pty) Ltd	100 %	100 %	-	-
Metropolitan Trading Company (Pty) Ltd	100 %	100 %	97 972	97 972
Pikitup Johannesburg (Pty) Ltd	100 %	100 %	31 315	31 315
Johannesburg Civic Theatre	100 %	100 %	1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd	100 %	100 %	20 000	20 000
			<b>698 257</b>	<b>683 273</b>

#### Impairments

	Carrying	Carrying
	amount 2019	amount 2018
Johannesburg Metropolitan Bus Services (Pty) Ltd	(54 774)	(54 774)

#### Net investment

	Carrying	Carrying
	amount 2019	amount 2018
City of Johannesburg Property Company (Pty) Ltd	5 142	5 142
City Power Johannesburg (Pty) Ltd	112 466	112 466
Johannesburg City Parks	29 958	29 958
Johannesburg Development Agency (Pty) Ltd	16 278	16 278
Johannesburg Metropolitan Bus Services (Pty) Ltd	-	-
Johannesburg Roads Agency (Pty) Ltd	328 569	313 585
Johannesburg Social Housing Company (Pty) Ltd	-	-
Johannesburg Water (Pty) Ltd	-	-
Metropolitan Trading Company (Pty) Ltd	97 972	97 972
Pikitup Johannesburg (Pty) Ltd	31 315	31 315
The Johannesburg Civic Theatre (Pty) Ltd	1 784	1 784
The Johannesburg Fresh Produce Market (Pty) Ltd	20 000	20 000
	<b>643 484</b>	<b>628 500</b>

CJMM has investments in the following Municipal Entities that are less than R1 000

Johannesburg Social Housing Company (Pty) Ltd R120  
Johannesburg Water (Pty) Ltd R 200

Investments in ME's includes shareholder loans with no fixed repayment terms and interest as they are classified as equity.

### 17. INVESTMENTS IN JOINT VENTURES

CJMM has an investment in a Joint venture that is less than R1 000

Golden Triangle Development Company (Pty) Ltd R500

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>18. LOANS AND BORROWINGS</b>		
<b>Non Current portion of loans and borrowings - At amortised cost</b>		
Development Bank South Africa	8 676 027	9 109 344
Listed bonds	6 016 000	6 016 000
Other financial liabilities	6 392 651	4 004 951
	<b>21 084 678</b>	<b>19 130 295</b>
<b>Current portion of loans and borrowings - At amortised cost</b>		
Structured loans *	-	3 275
Development Bank South Africa	486 014	288 141
Other financial liabilities	462 025	469 512
	<b>948 039</b>	<b>760 928</b>
	<b>22 032 717</b>	<b>19 891 223</b>
<b>19. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within one year	69 377	50 822
- in second to fifth year inclusive	106 396	127 664
	175 773	178 486
less: future finance charges	(18 696)	(27 173)
<b>Present value of minimum lease payments</b>	<b>157 077</b>	<b>151 313</b>
<b>Present value of minimum lease payments due</b>		
- within one year	59 991	38 274
- in second to fifth year inclusive	97 086	113 039
	<b>157 077</b>	<b>151 313</b>
Non-current liabilities	97 086	113 039
Current liabilities	59 991	38 274
	<b>157 077</b>	<b>151 313</b>

A register containing the information is available for inspection at the registered office of the CJMM.

### 1. Resultant

The Finance Lease liabilities relate to Office Equipment with lease terms of three years. There are no renewal or purchase options and no restrictions imposed by the lease agreements.

### 2 Bus Operating Company

Finance Lease Liabilities relate to vehicles with a lease term of 12 years. Capitalised Lease Liabilities are secured by the related finance lease assets.

The carrying values of the finance leased assets are included under other property, plant and equipment. Refer to note 13.



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand 2019 2018

### 20. PAYABLES FROM EXCHANGE TRANSACTIONS

#### Financial liabilities

Accrued interest	180 292	284 765
Related party creditor	7 657 283	7 006 948
Credit balances in consumer debtors	1 332 782	873 393
Engineering fees	132 482	109 620
Operating lease payables	657	4 796
Other creditors	611 051	480 506
Retentions	39 109	60 915
Trade payables	2 402 094	1 843 906
	<u>12 355 750</u>	<u>10 664 849</u>

#### Other liabilities

Accrued leave pay	428 850	346 837
Payments received in advanced	12 995	13 676
	<u>441 845</u>	<u>360 513</u>
	<u><b>12 797 595</b></u>	<u><b>11 025 362</b></u>

### 21. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Provincial grants : Capital projects	55 329	55 329
Urban settlements development grant	6 328	-
Provincial grants : Top Structure of houses	55 670	79 984
Provincial grants : Operational projects	18 925	22 925
United Nation Environment Programme	5 220	5 220
Public Transport Network Grant (Capital Projects)	614	20 547
Neighbourhood Development Partnership Grant (NDPG)	14 567	2 919
Integrated City Development Grant (ICDG)	2 454	12 110
Expanded Public Works Programme (EPWP)	647	-
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	-	757
Public Transport Network Grant (Operational Projects)	153 548	99
Unspent public contributions and donations	1 681	1 682
	<u><b>314 983</b></u>	<u><b>201 572</b></u>

Revenue received from conditional grants are recognised to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

A liability is recognised for any unfulfilled conditions, obligations and other contingencies attaching to government grants or assistance.

See note 29: for reconciliation of grants from National/Provincial Government.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

### 22. PROVISIONS

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Amount paid	Total
Bonus provision	34 451	-	-	(5 691)	(3 495)	25 265
Provision for Interest - Connaught court case	75 244	18 170	-	-	-	93 414
Provision for Maintenance Contract	14 000	-	-	-	-	14 000
Provision for subsistence allowance	-	2 382	-	-	-	2 382

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Amount paid	Total
Bonus provision	19 994	14 706	-	-	(249)	34 451
Provision for Interest - Connaught court case	58 600	16 644	-	-	-	75 244
Provision for Damages Claim	20 000	-	-	(20 000)	-	-
Provision for Maintenance Contract	14 000	-	-	-	-	14 000
	<b>112 594</b>	<b>31 350</b>	<b>-</b>	<b>(20 000)</b>	<b>(249)</b>	<b>123 695</b>

#### Provision for Maintenance Contract

An Arbitration matter in which Questek, the claimant, claims that the City must pay it approximately R14 million for services rendered in a maintenance contract at the City's request. The City does not deny the services rendered for R14 million.

#### Bonus provisions

Bonus provision relates to performance bonuses for the section 57 employees.

#### Provision for subsistence allowance

The applicants brought an application for a declaratory order for the payment of travel time. The matter was ventilated at court and judgment was granted against the City ordering the City to pay for travel time. The City is appealing the decision. The application for leave to appeal was dismissed with cost, without the judge granting the reasons for such refusal for leave to appeal.

#### Provision for Interest - Connaught court case

The provision is in respect of properties used for both business and residential but rated for business only. The City was of the view that it can rate the properties as business only which is in line with its rates policy. However, the courts held that the City's rate policy does not take precedence over the Municipal Property Rates Act and the City is obliged to apportion the value of the properties in terms of the Municipal Property Rates Act.

#### Provision for Damages Claim

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 22. PROVISIONS (continued)

A claim of R10 million instituted against Eastern Metropolitan Local Council for damages for loss of business as a result of the construction of the Grayston Drive flyover across Katherine Street, Sandown. The case was provided for in prior years as an amount of R20 million, which is R10 million claim and R10 million interest. The Plaintiff applied for a separation of issues regarding whether or not the former Sandton Town Council was obliged to follow the procedures in the Local Government Ordinance relating to road closures or deviations. SCA has ruled that the construction did amount to a diversion thus issue of quantum of damages comes into focus. Plaintiffs have not shown an immediate intention to set matter down for trial at this stage. The matter has become dormant for long periods, as the last trial date was October 2012 which did not take place and the matter was further postponed. The plaintiff has not set down the matter for trial since. It has further proven that it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 23. RETIREMENT BENEFIT OBLIGATION

#### 23.1 Post retirement liabilities

Post-Retirement Medical Aid Plan	889 340	933 760
Post-Retirement Housing Subsidy Plan	279	313
Retirement Gratuity Plan	131 872	141 951
	<b>1 021 491</b>	<b>1 076 024</b>

#### 23.1.1 Post retirement medical aid plan

City of Johannesburg Metropolitan Municipality has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Post-retirement medical aid subsidies are provided to pensioners, in the service of the CJMM as at 1 January 2001, and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Key Health medical schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	889 340	933 760
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#### Movements for the year

Opening balance	933 760	1 059 956
Benefits paid	(102 716)	(103 794)
Net expense recognised in the statement of financial performance	58 296	(22 402)
	<b>889 340</b>	<b>933 760</b>

#### Net expense recognised in the statement of financial performance

Interest cost	76 341	88 994
Actuarial (gains)	(18 045)	(111 396)
	<b>58 296</b>	<b>(22 402)</b>

#### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	8,73 %	8,70 %
Expected increase in salaries	6,57 %	6,97 %

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

Other assumptions.

Age of spouse	-	Husbands five years older than wives.
Mortality of in-service members years	-	In accordance with the SA 85-90 (Light) ultimate table (rated down 3 for females).
Mortality of pensioners	-	In accordance with the PA(90) ultimate male and female tables.

#### Sensitivity analysis

##### Medical and Salary Inflation Rate

	-1%	0%	1%
Liability	870 452	889 340	905 097
Percentage change	-2.6%	0%	2.4%
	-	-	-

##### Mortality Rate

	-20%	0%	20%
Liability	965 553	889 340	827 973
Percentage change	- 7,44%	0	-5,99%

#### 23.1.2 Post retirement housing subsidy plan

The City of Johannesburg Metropolitan Municipality provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is based on the subsidy received at the date of valuation. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

The above liability is unfunded. However, City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the City of Johannesburg Metropolitan Municipality was established. The amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	279	313
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The fair value of plan assets includes:

#### Movements for the year

Opening balance	313	317
Benefits paid	(52)	(63)
Net Income/(expense) recognised in the statement of financial performance	18	59
	<b>279</b>	<b>313</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

#### Net expense recognised in the statement of financial performance

Interest cost	23	25
Actuarial Loss/(gains)	(5)	34
	<b>18</b>	<b>59</b>

#### Key assumptions used

Assumptions used for the valuation .

Discount rates used	8,73 %	8,70 %
Expected increase in salaries	6,57 %	6,97 %

#### Sensitivity analysis

##### Medical and Salary Inflation

	-1%	0%	1%
Liability	262	266	271
Percentage change	-2,6%	0	2,4%

##### Mortality Rate

	-20%	0%	20%
Liability	275	266	257
Percentage change	7,44%	0	-5,99%

#### 23.1.3 Post retirement gratuity plan

City of Johannesburg Metropolitan Municipality provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with the City of Johannesburg Metropolitan Municipality when they were not members of one of the retirement funds and who meet certain service requirements in terms of the City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

The above liability is unfunded. However, the City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of City of Johannesburg Metropolitan Municipality who are entitled to benefits that relates to their service with the City of Johannesburg Metropolitan Municipality since the company was established. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the company may claim benefit payments made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability. It has however been included in the assets of the City of Johannesburg Metropolitan Municipality.

#### Amounts recognised in the Statement of financial position

Present value of unfunded obligation in respect of CJMM employees	131 872	141 951
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# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

#### Movements for the year

Opening balance	141 951	145 169
Benefits paid	(13 968)	(11 727)
Net (expense)/Income recognised in the statement of financial performance	3 889	8 509
	<b>131 872</b>	<b>141 951</b>

#### Net expense recognised in the statement of financial performance

Interest cost	11 797	12 100
Actuarial (gains) losses	(7 908)	(3 591)
	<b>3 889</b>	<b>8 509</b>

#### Key assumptions used

Assumptions used on last valuation on .

The principal actuarial assumptions used were as follows:

Discount rates used	8,73 %	8,70 %
Expected increase in salaries	6,57 %	6,97 %

#### Sensitivity analysis

#### Mortality Rates

	-1%	0%	1%
Liability	124 400	132 014	140 266
Percentage change	-2,6%	0	2,4%

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 23. RETIREMENT BENEFIT OBLIGATION (continued)

CJMM and its ME's provide post-employment benefits to all their permanent employees through defined contribution funds. The following employee contributions have been made to the defined contribution plans.

City of Johannesburg Pension Fund	44 280	43 745
eJoburg Retirement Fund	262 241	213 420
Municipal Councillors pension Fund	9 936	9 674
National Fund for Municipal Workers	868	827
Sandton Provident Fund	276	269
Municipal Employees Gratuity Fund	10 088	10 063
	<b>327 689</b>	<b>277 998</b>

The following employee contributions have been made to the multi-employer plans.

Joint Municipal Pension Fund	1 063	1 055
Municipal Employees Pension Fund	4 464	2 162
	<b>5 527</b>	<b>3 217</b>

**Table 7.2 summarises the results of this analysis on the sum of the Current-service and Interest Costs for the year ending 30 June 2019.**

#### Current Service cost

The Current-service Cost reflects the additional liability that is expected to accrue in respect of in-service members' service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

	Current Valuation	Preceding valuation
Post-employment medical aid	R 0	R 0
Post-employment Housing Subsidies	R 0	R 0
Retirement Gratuities	R 0	R 0
<b>Total</b>	<b>R 0</b>	<b>R 0</b>

#### Interest cost

The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because the post-employment benefits are one year closer to payment. This item should be accounted for in the income statement according to GRAP 25.

	Current Valuation	Preceding valuation
Post-employment medical aid	R 72,619,000	R 76,341,000
Post-employment Housing Subsidies	R 20,000	R 23,000
Retirement Gratuities	R 11,172,000	R 11,797,000
<b>Total</b>	<b>R 83,811,000</b>	<b>R 88,161,000</b>



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 24. DEFERRED INCOME

#### Bond tap

Balance unspent at beginning of year	33 659	38 067
Conditions met - transferred to revenue	(4 527)	(4 408)
<b>Conditions still to be met - transferred to liabilities</b>	<b>29 132</b>	<b>33 659</b>

The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.

The tap was issued on 9 December 2008, due to mature on 5 June 2023. The tap was issued at a premium of R58,038,692, at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.

#### BRT

Balance unspent at beginning of year	30 673	11 059
Net movement	18 342	19 614
<b>Conditions still to be met - transferred to liabilities</b>	<b>49 015</b>	<b>30 673</b>

Included in BRT deferred income is bonus points. BRT awards bonus points to passengers when they load money into their cards. The deferred income is released as and when the passengers redeem their points.

<b>Total deferred income</b>	<b>78 147</b>	<b>64 332</b>
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# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 25. OTHER FINANCIAL LIABILITIES AT FAIR VALUE

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for an 11.66% fixed interest rate.

#### Swap Details

Trade Date :	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

<b>Opening balance</b>	-	14 060
Net movement	-	(14 060)
<b>Closing balance</b>	-	-

### 26. CONSUMER DEPOSITS

Consumer deposits	17 240	16 748
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Consumer deposits relate largely to deposits held in the JPC Portfolio Account (2019: R 14 364 138 and 2018: R 14 321 747) in relation to rental of facilities. The other balance relates to deposits held by Community Development and the Housing Department also for the rental of facilities. All consumer deposits are non-current in nature.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>27. PROPERTY RATES</b>		
<b>Rates received</b>		
Residential	4 588 623	3 392 435
Commercial	7 496 956	5 530 872
State	286 453	187 253
	<b>12 372 032</b>	<b>9 110 560</b>
<b>Valuations</b>		
Residential	897 030 967	641 840 252
Business	427 383 435	319 549 584
State	49 564 314	31 160 238
	<b>1 373 978 716</b>	<b>992 550 074</b>
<b>28. RENDERING OF SERVICES</b>		
Other service charges	29 804	30 117
Town Planning	78 359	65 618
Public Safety Services	21 993	19 634
Advertising Fees	77 012	58 886
BRT Revenue	144 711	115 737
Surcharges : Electricity	173 705	168 684
Surcharges : Refuse	5 575	5 406
Surcharges : Water	45 539	59 155
	<b>576 698</b>	<b>523 237</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 29. GOVERNMENT GRANTS AND SUBSIDIES

Provincial grants : Capital projects	137 800	107 866
Urban settlements development grant	1 514 027	1 169 277
Financial management grant	1 000	1 050
Provincial grants : Top structure of houses	116 728	248 785
Provincial grants : Operating projects	17 600	17 761
Public Transport Network Grant (Capital Projects)	660 256	685 585
Neighbourhood Development Partnership Grant (NDPG)	35 510	42 563
Integrated City Development Grant (ICDG)	91 036	65 052
Expanded Public Works Programme (EPWP)	14 180	12 047
Provincial grant : Jozi Ihlomihle (Hiv/Aids)	23 000	21 698
Public Transport Network operations Grant	252 465	211 990
Ambulance subsidy	130 373	123 187
Equitable share and fuel levy	7 172 186	6 377 585
Provincial health subsidies	128 726	121 669
	<b>10 294 887</b>	<b>9 206 115</b>

#### Provincial grants : Capital projects

Balance unspent at beginning of year	55 329	157 646
Tranferred to Provincial Grants - Top Structure	-	(68 606)
Adjustment - Debtors	137 800	74 155
Conditions met - transferred to revenue	(137 800)	(107 866)
<b>Conditions still to be met - transferred to liabilities</b>	<b>55 329</b>	<b>55 329</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>29. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Urban settlements development grant</b>		
Balance unspent at beginning of year	-	266 825
Current year receipts	1 852 262	1 501 731
Amount paid Back	-	(266 825)
Paid/Due to MEs	(331 907)	(332 454)
Conditions met - transferred to revenue	(1 514 027)	(1 169 277)
<b>Conditions still to be met - transferred to liabilities</b>	<b>6 328</b>	<b>-</b>

This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households. The Urban Settlement Development Grant contributes towards the achievement of sustainable human settlements and improved quality of household life by implementing infrastructure development projects that work towards the realisation of adequate housing and improved quality environments and a functional residential property market. The infrastructure development projects include roads, bridges, water supply network, sanitation services, electrical reticulation, social and recreational services, cemeteries, markets as well as release of well located land.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 29. GOVERNMENT GRANTS AND SUBSIDIES (continued)

#### Financial management grant

Current year receipts	1 000	1 050
Conditions met - transferred to revenue	(1 000)	(1 050)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

The grant was to target training and capacitation of the staff in the Budget and Treasury offices. It targets systems for the implementation of the MFMA reporting requirements. The grant is mainly used to employ interns in the Finance Department and to fund the MFMA minimum competency level training.

#### Provincial grants : Top structure of houses

Balance unspent at beginning of year	79 984	-
Current year receipts	135 920	307 946
Transferred from Provincial Grants	-	68 604
Settled against debtors	(43 506)	(47 781)
Conditions met - transferred to revenue	(116 728)	(248 785)
<b>Conditions still to be met - transferred to liabilities</b>	<b>55 670</b>	<b>79 984</b>

#### Provincial grants : Operating projects

Balance unspent at beginning of year	22 925	27 624
Current year receipts	28 800	30 921
Amount paid Back	(8 000)	(17 859)
Transfers to City Power	(7 200)	-
Conditions met - transferred to revenue	(17 600)	(17 761)
<b>Conditions still to be met - transferred to liabilities</b>	<b>18 925</b>	<b>22 925</b>

To transform urban and rural community library infrastructure, facilities and services through a recapitalised programme at provincial level in support of local government and national initiatives. The funding is intended to address backlogs and disparities in ongoing provision and maintenance of community library services across municipalities and enable provincial departments to provide strategic guidance and alignment with national priorities.

#### United Nation Environment Programme

Balance unspent at beginning of year	5 220	-
Current year receipts	-	5 220
<b>Conditions still to be met - transferred to liabilities</b>	<b>5 220</b>	<b>5 220</b>

#### Public Transport Network Grant (Capital Projects)

Balance unspent at beginning of year	20 547	3 852
Current year receipts	661 023	706 132
Amount paid back	(20 700)	(3 852)
Conditions met - transferred to revenue	(660 256)	(685 585)
<b>Conditions still to be met - transferred to liabilities</b>	<b>614</b>	<b>20 547</b>

This grant is provided to finance Public Transport System.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 29. GOVERNMENT GRANTS AND SUBSIDIES (continued)

#### Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	2 919	14 618
Current year receipts	50 058	45 464
Amount paid Back	(2 900)	(14 600)
Conditions met - transferred to revenue	(35 510)	(42 563)
<b>Conditions still to be met - transferred to liabilities</b>	<b>14 567</b>	<b>2 919</b>

The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighbourhoods. It is an Infrastructure Development grant focusing on township development, for the purpose of attracting private investment and for Government agencies to be able to provide basic services.

#### Integrated City Development Grant (ICDG)

Balance unspent at beginning of year	12 110	4 762
Current year receipts	93 480	82 200
Amount paid Back	(12 100)	(9 800)
Conditions met - transferred to revenue	(91 036)	(65 052)
<b>Conditions still to be met - transferred to liabilities</b>	<b>2 454</b>	<b>12 110</b>

#### Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	4 402
Current year receipts	34 737	17 421
Paid/Due to MOEs	(19 910)	(5 376)
Amount paid back	-	(4 400)
Conditions met - transferred to revenue	(14 180)	(12 047)
<b>Conditions still to be met - transferred to liabilities</b>	<b>647</b>	<b>-</b>

The Grant assists in providing an important avenue for labour absorption and aids transfers of income to poor households. It uses expenditure on goods and services to create work opportunities for the unemployed. EPWP Projects employ workers on a temporary or on-going basis either by government, by contractors, or by other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

#### Provincial grant : Jozi Ihlomihle (Hiv/Aids)

Balance unspent at beginning of year	757	384
Current year receipts	23 000	22 071
Amount paid back	(757)	-
Conditions met - transferred to revenue	(23 000)	(21 698)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>757</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 29. GOVERNMENT GRANTS AND SUBSIDIES (continued)

#### Public Transport Network Grant (Operational projects)

Balance unspent at beginning of year	99	38 082
Current year receipts	405 914	212 056
	-	(38 049)
Conditions met - transferred to revenue	(252 465)	(211 990)
<b>Conditions still to be met - transferred to liabilities</b>	<b>153 548</b>	<b>99</b>

#### Ambulance subsidy

Current year receipts	130 373	123 187
Conditions met - transferred to revenue	(130 373)	(123 187)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

Gauteng province pays an annual grant to EMS for providing an ambulance service for the City of Johannesburg. This grant covers less than half of the cost of the vehicles, the manning of the vehicles and all other costs associated with providing the service by the City.

#### Equitable share and fuel levy

Current year receipts	7 172 186	6 030 960
Transfers from other grants	-	346 625
Conditions met - transferred to revenue	(7 172 186)	(6 377 585)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

Municipal Equitable Share is the share of Local Government Sphere's share of revenue raised nationally. The equitable share allocation is a subsidy received from National Treasury and is mainly for RSC levies replacement, special support for councillors' remuneration, ward committees and funding for free basic services (Basic Social Services Package) for the registered indigent households.

#### Provincial health subsidies

Current year receipts	128 726	121 669
Conditions met - transferred to revenue	(128 726)	(121 669)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or with holding of the subsidy.

### 30. OTHER REVENUE

Internal recoveries - ME's	494 283	412 325
Licences and permits	8 196	8 202
Collection Charges	96 842	160 067
Concessionary Fees	37 000	37 059
Public Safety Recoveries	34 708	27 325
Sundry revenue	272 587	198 499
Recovery of insurance	4 684	7 693
Recovery of legal costs	433	560
Training revenue	8 166	15 769
<b></b>	<b>956 899</b>	<b>867 499</b>



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

2019

2018

### 31. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages	5 597 301	4 477 045
Employee related costs : Pension contributions	736 869	620 091
Employee related costs : Medical aid contributions	397 063	375 237
Employee related costs : Skills development levy	65 392	53 064
Housing benefits and allowances	41 878	38 431
Overtime payments	258 970	126 603
Bonus	286 780	269 426
Travel, motor car, accommodation, subsistence and other allowances	309 363	296 818
UIF	8 955	4 423
Post Retirement Benefits Movement	(25 536)	(115 037)
	<b>7 677 035</b>	<b>6 146 101</b>

### Remuneration of the section 56 & 57 employees

2019	Basic Remuneration	Allowances	UIF, Medical aid & Pension	Final Leave Pay	Performance Bonus
CM	2 907	-	52	-	77
GCFO	1 209	-	1	-	-
COO	1 884	-	2	-	-
GCTO	1 899	156	2	-	-
ED - OCM	1 233	-	122	-	-
ED - GCSS	1 168	-	1	91	-
ED - COM DEV	1 971	156	202	-	-
ED - DED	2 232	96	2	-	-
ED - HEALTH	2 493	108	2	-	160
ED - HOUSING	1 859	-	197	-	-
ED - DPUM	1 565	240	251	-	-
ED - TRANSPORT	2 244	73	338	-	-
GH - GRAS	1 521	56	157	-	-
GH - GOVERNANCE	869	64	93	-	-
GH - LEGAL	1 444	84	164	-	-
GH - CRUM	1 943	100	205	-	100
	<b>28 441</b>	<b>1 133</b>	<b>1 791</b>	<b>91</b>	<b>337</b>

2018	Basic Remuneration	Allowances	UIF, Medical aid & Pension	Final Leave Pay	Performance Bonus
CM	2 759	-	49	-	-
ED - OCM	263	-	14	93	-
ED - GCSS	1 738	-	1	188	-
ED - COM DEV	1 552	130	159	-	-
ED - COM DEV - Former	151	9	17	-	-
ED - DED	1 936	88	2	-	-
ED - Health	2 359	108	2	141	-
ED - Housing	1 617	-	171	-	-
ED - DPUM	275	-	50	-	-
ED - DPUM - Former	570	81	35	98	-
ED - EISD	995	48	25	120	-
ED - Public Safety	3 247	85	1	208	-
ED - Transport	2 126	73	321	-	-
ED - Social Dev	1 593	60	59	137	-
GH - Communications	1 559	-	2	14	-
GH - GRAS	1 983	77	203	-	-
GH - Governance	809	48	47	65	-
GH - Legal	1 067	72	124	-	-
GH - Legal - Former	107	7	16	-	-
GH - Strategy	1 450	172	2	-	-
GH - CRUM	1 839	100	194	-	-

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
31. EMPLOYEE RELATED COSTS (continued)		
	29 995	1 158
	1 494	1 064
		-

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 32. REMUNERATION OF COUNCILLORS

Executive Mayor	1 395	1 355
Mayoral Committee Members	10 716	10 419
Speaker	1 135	1 100
Councillors	121 950	116 343
Councillor's pension contribution	9 302	9 133
Chairpersons	17 590	17 856
	<b>162 088</b>	<b>156 206</b>

#### Remuneration of the Executive Mayor - Herman Mashaba

Annual Remuneration	1 350	1 289
Car Allowance	41	41
Cell Allowance	4	4
	<b>1 395</b>	<b>1 334</b>

#### In-kind benefits

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 32. REMUNERATION OF COUNCILLORS (continued)

2 x Bottles of Whiskey and Brandy	3 500
Unique Turkish rug	25 000
2 x Bottles of Whiskey and Brandy	3 500
Book: The True Story of Heavenly Culture, World Peace, Restoration of light (HWPL): Peace and Cessation of War	-
Kavalan Single Malt Whisky	1 349
Eistein: His Life and Universe by Walter Isaacson	199
korean red ginseng tea	548
Johnnie Walker Double Black	500
Gold Engraved cuff links	300
Gold Award Plaque	400
Slazenger Umbrella	300
The White House Historical Association Christmas Ornament 2018	317
Unique Miniature Version of the Newtown Head	-
wire rhino sculpture	196
2 x Le Creuset mugs	400
Bottle of KWV red wine, ferrero rocher 10 pcs, amarula cholate	550
samsung gear s3 classic	5 800
Bangladesh diary and desk calendar 2019	-
Indonesian food	-
Nigerian Chronometre	-
Faux Leather A5 Notebook and wallet gift set.	400
50x55cm Mahogany Photo Frame	335
Excelsior Cabernet Sauvignon 2016	80
Touch Warwick Cabernet Sauvignon 2014	75
Book: From the Third World to the First by Kuan Yew	390
Book: The Crazy Ones: A Guide to an Entrepreneurial Mindset by Mangi Tshikomba	150
A4 UNISA Leather Black Branded Conference Folder with No Binder	150
A4 Leather Brown Conference Folder with No Binder	120
Book: Unisa 1873-2018 - The Making of a Distance Learning University (Hardcover)	874
Book: Degrees of Excellence (Hardcover)	400
Branded Biodegradable Cloth Bag	100
Nylon Tool Pouch with Loops and Pockets	300
Safety Glasses	50
Red Branded Cap	30
6 Place Mats	400
Traditional Table Runner	100
Branded Mug	180
Circuit Board Notebook	279

The figures above are in Rands

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>33. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	1 935 881	1 885 269
Intangible assets	158 516	187 357
	<b>2 094 397</b>	<b>2 072 626</b>
<b>34. IMPAIRMENT LOSSES</b>		
<b>Impairments</b>		
Property, plant and equipment	17 306	8 190
Loans - Pikitup Johannesburg (Pty) Ltd	-	59 432
The City had entered into a concession with the entity where it agreed to consistently settle interest that becomes due. Although Pikitup has significantly improved its solvency and liquidity position, the continued existence of the concession implies the existence of risk in defaulting. Refer to Note 4		
Loans - Metro Trading Company	313 853	-
Metrotrading Company's has not made any repayments towards the loan in the current year even though the amounts are due and payable		
	<b>331 159</b>	<b>67 622</b>
<b>35. DEBT IMPAIRMENT AND WRITE OFF</b>		
Trade and Other Receivables - Fines	61 382	104 987
Consumer Debtors	1 492 912	610 861
Trade and Other Receivables - Other	62 274	151 117
	<b>1 616 568</b>	<b>866 965</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand 2019 2018

### 36. GRANTS AND SUBSIDIES PAID

#### Grants paid to ME's

City of Johannesburg Property Company (Pty) Ltd	509 336	368 134
Johannesburg City Parks	827 542	737 022
Johannesburg Development Agency (Pty) Ltd	39 006	28 707
Johannesburg Metropolitan Bus Services (Pty) Ltd	545 463	504 212
Johannesburg Roads Agency (Pty) Ltd	1 103 170	896 443
Johannesburg Social Housing Company (Pty) Ltd	26 941	14 807
Metropolitan Trading Company (Pty) Ltd	226 855	143 670
Pikitup Johannesburg (Pty) Ltd	540 076	617 166
The Johannesburg Civic Theatre (Pty) Ltd	116 447	104 432
	<b>3 934 836</b>	<b>3 414 593</b>

#### Other subsidies

Grant paid : Other	41 563	22 352
Grant paid : Housing top structures	118 239	247 645
	<b>159 802</b>	<b>269 997</b>
	<b>4 094 638</b>	<b>3 684 590</b>

### 37. GENERAL EXPENSES

Advertising	19 517	23 498
Auditors remuneration	25 489	27 478
Bank charges	130 386	143 772
Consulting and professional fees	186 631	176 171
Consumables/Inventory expensed	14 924	13 484
Debt collection	102 240	258 622
Hire	21 849	24 708
Insurance	123 063	120 989
Conferences and seminars	14 144	15 111
Marketing	34 571	28 817
Printing and stationery	113 690	74 843
Security (Guarding of municipal property)	91 117	285 134
Software expenses	67 255	57 820
Staff welfare	19 841	10 655
Subscriptions and membership fees	7 547	14 229
Telephone and fax	47 786	54 114
Maintenance	221 846	164 306
Training	19 075	17 708
Travel - local	3 240	2 879
Travel - overseas	1 393	2 201
Contracted services	1 302 688	1 463 327
Utilities	947 922	816 194
Lease rentals on operating lease	84 569	71 888
ME - charges	27 953	27 723
Incident management fund	38 949	46 977
Other expenses	460 251	676 299
	<b>4 127 936</b>	<b>4 618 947</b>

Included in other expenses are guarantee fees relating to the COJ2 bond which is held at amortised cost.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
<b>38. FAIR VALUE ADJUSTMENTS</b>		
Other financial assets		
• Sinking fund	447 098	212 727
• Interest rate swap	-	(2 470)
	<b>447 098</b>	<b>210 257</b>
<b>39. CASH GENERATED FROM OPERATIONS</b>		
Surplus	4 626 797	1 502 934
<b>Adjustments for:</b>		
Depreciation and amortisation	2 094 397	2 072 626
Public contributions, Donated and contributed property	(2 288)	(3 612)
Fair value adjustments	(447 098)	(210 257)
Reversal of Impairment	(30 847)	(29 006)
Finance costs: liabilities from MEs	27 844	8 627
Allowance for impairment of current receivables	1 616 568	866 965
Impairment loss	331 159	67 622
loss/gain on sale of Assets	11 929	292 850
Retirement benefits net expenses	62 203	(13 834)
<b>Changes in working capital:</b>		
Inventories	(464)	6 294
Receivables	(2 460 575)	(1 797 900)
Adjustment of impairment of current receivable	(1 616 568)	(866 965)
Payables from exchange transactions	1 058 407	1 033 415
VAT Receivable	207 533	(209 529)
Unspent conditional grants and receipts	113 411	(317 374)
Increase/(Decrease) in deferred income	13 815	15 206
Increase/(Decrease) in Provision	11 366	11 101
Increase/(Decrease) in Consumer deposits	492	269
	<b>5 618 081</b>	<b>2 429 432</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 40. COMMITMENTS

#### Commitments in respect of capital expenditure:

##### Contracted for

• Infrastructure	2 075 277	3 260 418
• PPE - Computer equipment	11 392	35 085
• Intangible assets	199 050	470 667
	<b>2 285 719</b>	<b>3 766 170</b>

#### Operating leases – as lessee (Buildings)

##### Minimum lease payments due

- within one year	17 258	65 937
- in second to fifth year inclusive	-	17 258
	<b>17 258</b>	<b>83 195</b>

Lease payments made throughout the year by respective Departments are included in the Statement of Financial Performance under General Expenses, refer to Note 37.

Operating lease smoothing and calculations are based on the contracts relating to operating leases of buildings held in the various Departments of the CJMM. The average leasing term for the CJMM is 4 years and the average escalation rate is 9%. Restrictions imposed on lease agreements are limited to those contained in individual contracts. A complete register of operating leases, as well as all the contracts are maintained by facilities management.

#### Operating leases – Land (Soccer City)

##### Minimum lease payments due

- within one year	75	75
- in second to fifth year inclusive	299	299
- later than five years	6 494	6 494
	<b>6 868</b>	<b>6 868</b>



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 41. CONTINGENCIES

#### Contingent Liabilities

##### Uninsured claims & litigations

1. Developmentnoms (Pty) LTD claim for an amount of R2 640 419.64 limited to R1 million. Plaintiff claims to have suffered damages to the extent of lost income for the full duration of the agreement concluded with the City. Pleadings have closed and the matter is awaiting set down.
2. Plaintiff brought summons against the City and Johannesburg Municipal Pension Fund for unpaid benefits for an amount of R1 431 580.48. The city will enter an exception to the plea. The hearing of the exception has been set down on 21 June 2018. City attorneys are filing heads of argument.
3. Claim by Metropol Consulting Pty Ltd for the amount of R266 million for services rendered. The claim seems legitimate and City intends on entering settlement negotiations with applicant. The matter is being defended, City filed an answering affidavit raising locus standi/contractual privity alternatively that the amount claimed by the applicant is highly overstated.
4. Gorogang is claiming R8 950 214.95 in relation to the retention costs, termination costs, payment of the value of the work done and time related costs for the project of Bulk and storm-water at Pimville Zone. The service provider abandoned the site and claim that the City had made a calculation error and he then repudiated the contract. Notice to oppose the matter was filed by COJ.
5. Kenneth Corlette versus City of Johannesburg. The plaintiff is claiming R17 million for alleged damages for loss of amenity due to the City approving certain land uses next to his property of R18 million. Trial date in this matter is set for 9, 10, and 11 September 2019.
6. There is a dispute the members of SALA Pension Fund lodged with the City of Joburg subsequent to their transfer to eJoburg pension fund to the value of R20 951 478.17. The court decided that if this matter should proceed there should be a joinder by all the affected parties.
7. Bernard Daren Mew versus City of Johannesburg. The plaintiff sued the City an amount of R5.8 million for damages, the plaintiff alleges arose from the City's non enforcement of the by-laws. A trial date is being awaited.
8. Fundi Communications claims against COJ for an amount of R952 126 for services rendered. A trial date is being awaited.
9. Great Life Trading claims an aggregate amount for R 1 401 738.82 against COJ for monies paid to City for tickets and plaintiff also claims for loss of business. Trial date set for 3 September 2019. The City does not deny the money for the tickets but has a problem with a claim for loss of business by plaintiff.
10. International Art Solutions LLC versus Johannesburg City Theatres. The plaintiff (an international company) is suing for R24 505 130.00 the Johannesburg City Theatres for the cancellation of the Soweto Jazz Festival in 2018. A plea and request for security has been served.
11. Masande versus City of Johannesburg. The City was sued for R1 667 043.58 for breach on 12 December 2014. The matter was finalised in 2016. On or about the 12th September 2018, the applicant served an Application for leave to appeal the judgement. The Application for leave to appeal was heard on the 13th of November 2018, in which the Judge granted the applicant the leave to appeal. The City is opposing the appeal.
12. Joemann Construction and Couriers Services CC claim an amount of R11 306 823.98 for breach of contract for the provision of goods. As at the 16 October 2018 the parties are exchanging pleadings.
13. Manzini versus COJ and others. A claim for monetary payment for a breach of contract in the amount of R340 000.00 and a claim for immediate specific performance as per the agreement. Parties are exchanging pleadings.
14. The City is been sued for amount of R180 million for loss of income after Mathipane Tsebane was unlawfully and arbitrarily removed from the COJ Attorney collection panel and the court having ordered his reinstatement, the City having failed to reinstate.

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### 41. CONTINGENCIES (continued)

15. Velly Sipho Phaloane instituted civil claim against JMPD of an amount of R162 million. In his claim he alleges that he developed an App for reporting reckless and negligent driving. On 27 March 2019 Executive Mayor launched Buya Mthetho hotline for reporting reckless and negligent driving. The plaintiff further alleges that the City unlawfully appropriated his intellectual property. The City is defending the matter. We have filed exception notice to the plaintiff summons, the plaintiff failed to reply to our notice of exception.

16. Claim by Riverside Trading for an amount of R6 289 510 for allegedly failing to provide sufficient electricity for development after rezoning a property. The court dismissed the application and the parties agreed that the allocated time for trial was not sufficient as a result they are currently awaiting new trial date.

#### Contingent assets

1. Claim for R1 698 400 relating to summons issued against Graffiti Impact. Pleadings are closed. Pre-Trial has been held. Instructed attorneys to set the matter down and revert with allocated date.

2. The City submits that it overpaid Questek in another contract for an amount more than R70 Million. Pleadings are still being exchanged between the parties regarding this matter.

3. Summons for the irregular issuing of clearance certificate and irregular refund payment. Matter to date has not been defended. Appearance to defend entered on the 29th Of January 2019. Parties are in the process of exchange of pleadings and the matter is yet to be heard. The Attorneys on behalf of the City are attempting to trace the second defendant. The amount of claim is R537 489.52.

4. Claim for R20 000 000 instituted by COJ and Bus Operating Company and others against an attorney whom appropriated money to be used by the operators to invest in BOC.

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### 42. PRIOR-YEAR ADJUSTMENTS

The reclassification(s) and correction of the error(s) resulted in the restatement of comparative figures as follows:

#### Statement of Financial Position

	Reclassification n R '000	Correction of errors R '000
CJMM - Receivables from exchange transactions	15 045	8 876
CJMM - Receivables from non-exchange transactions	-	46 540
CJMM - Property, plant and equipment	-	(101 297)
CJMM - Intangible Assets	-	106 277
CJMM - Heritage Assets	-	15 861
CJMM - Trade and other payables	(15 045)	77
CJMM - Accumulated Surplus- 2017/18 Opening Balance	-	(76 029)
	-	<b>305</b>

#### Statement of financial performance

	Reclassification n R '000	Correction of errors R '000
CJMM - Depreciation and amortisation	-	40 834
CJMM - General Expenses	-	(41 139)
	-	<b>(305)</b>

The correction of the errors result in the restatement of comparative figures as follows:

**Property Plant and equipment(PPE), Heritage Assets, Intangible assets** - The error was as a result of incorrect classification of Heritage and Intangible assets as PPE,

**Depreciation** - This error is due to assets which were completed and ready for use in the previous financial year but only capitalised in the current year. As a result, prior year has been restated.

**Related Party Payables, General Expenses and Receivables from exchange transactions(Accrued VAT)** - the error is due mistatement in the previous financial year, and has been corrected.

**Receivables from non-exchange transactions** - This result from the reversal of consumer deposits accounted for without cash receipt.

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### 43. RISK MANAGEMENT

#### Price risk

The CJMM, through Group Treasury and Finance Strategy unit (Treasury) manages financial risks through usage of two portfolios comprising of financial instruments. For purposes of this disclosure, portfolios are assigned Portfolio 1 and 2. Portfolio 1 is managed internally by the CJMM while Portfolio 2 is outsourced to a specialist Fund Manager.

The CJMM actively mitigates financial risks that may arise due to changes in the market environment.

#### Portfolio 1 Overview

Effective financial risk is vital to CJMM. The realisation of the CJMM's objectives toward service delivery objectives depends on CJMM's sound management of financial risks.

The CJMM is exposed to the following financial risks from the use of financial instruments:

- Liquidity risk and Concentration risk;
- Market risk;
- Credit/Counterparty risk

To ensure the execution of, and compliance to overall risk management policies and guidelines, CJMM plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized,
- Ensuring that CJMM's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits,
- Ensuring sustainable financial viability of CJMM by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting CJMM's financial position,
- Providing Council with reasonable assurance that financial risks the CJMM is exposed to are identified and, to the best extent possible, mitigated and controlled.

The City, identifies, quantifies and sets up control measures to mitigate financial risks to an acceptable level.

#### Financial Risk Management Framework

The Risk Management Framework serve to raise awareness, inform and guide the Group on its approved approach to risk management. The framework, which is reviewed on a continuous basis in line with best market practices, seeks to assist the Group in the effective identification, evaluation and control of financial risks that may impact service delivery objectives.

Council, has overall responsibility for the establishment and oversight of the CJMM's risk management framework. CFO's forum, in this regard, is responsible for developing and monitoring the CJMM's financial risk management policies. CFO's forum reports regularly to the Mayoral Committee and Section 79 on its activities.

The CJMM's financial risk exposures are managed by the Treasury Unit. The CJMM's activities expose it to a variety of financial risks. The municipality's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the CJMM's financial performance. CJMM recognises that an effective risk management function is fundamental to its business. Risk awareness, control and compliance are embedded in Treasury's day-to-day activities.

#### Liquidity and Concentration Risk

Liquidity Risk, refers to the risk that CJMM may not meet its short term obligations when they fall due. Management of liquidity risk is particularly important as it ensures that capital and operating expenditure is met. Treasury enters into liability obligations to bridge funding gaps arising from both capital and operational expenditure with the aim of ensuring that CJMM meets its liability obligations when they fall due.

For each financial year, Council approves a funding plan that minimizes liquidity risk. CJMM manages both the long-term and short-term cash requirements, with surplus funds from operations being invested in short term money market instruments.

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### 43. RISK MANAGEMENT (continued)

Long-term liquidity risks arising from capital project initiatives are managed through issuance of long-term debt in the form of CJMM bonds or long term loans or a combination of the two. Both Short-term and Long-term borrowings are done as per council approved funding plan.

The table below indicates approved facilities as at end of June 2019:

Details	Approved Funding R'000 000	Total Utilised R'000 000	Repaid R'000 000
<b>Short-Term Borrowings</b>			
Short term Borrowings	3 675	1 500	1 500
<b>Long-Term Borrowings</b>			
Long term borrowing	2 849	2 849	708
<b>Total</b>	<b>6 524</b>	<b>4 349</b>	<b>2 208</b>

Short-term liquidity constraints are managed through two types of short-term funding methods:

- i) General Banking Facilities (overdraft) and
- ii) Commercial Paper Issuance.

CJMM's ensures that all short term facilities utilized within the financial year are paid before the end of the financial year in Compliance with Section 45(4) (a) of the MFMA. A cash management policy for managing its short-term cash flows and cash balances in a cost-effective manner is in place. The cash management policy assists the Group in managing its liquidity risk through the use of cash projection models with the aim of minimizing variances between projected and actual cash usage.

Liquidity risk is also linked to Concentration risk which could be defined as the probability of high cash outflow arising from concentration of debt obligations payable around the same period. If not properly managed, concentration risk can lead to default risk.

Capital redemption analysis is shown in table 2 below.

Class	Balance	Due in less than a year R'000 000	Due in one to two years R'000 000	Due in two to three years R'000 000	Due in three to four years R'000 000	Due in four to five years R'000 000	Due in more than five years R'000 000
Floating Rate Loans		-	155	148	145	145	1 332
Fixed Rate Loans		-	793	1 691	889	3 067	13 667
		-	-	-	-	-	-

### Maturity Analysis of Investments

The table below shows the maturity profile of investments as at 30 June 2019

Investment type	Balance	Due in less than a year R'000 000	Due in one to two years R'000	Due in two to three years R'000	Due in three to four years R'000	Due in four to five years R'000	Due in more than five years R'000
Call Deposits		2 062	-	-	-	-	-
Short term		1 450	-	-	-	-	-
		-	-	-	-	-	-
<b>Market risk</b>							

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### 43. RISK MANAGEMENT (continued)

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the CJMM's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimising the CJMM's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects CJMM.

#### Interest rate risk

This refers to the risk that the value of a financial instrument will change due to a change in:

- i) the absolute level of interest rates;
- ii) in the spread between two rates;
- iii) in the shape of the yield curve or in any other interest rate relationship.

CJMM's floating rate liabilities are exposed to interest rate risk in terms of both cash flow and fair values.

#### Interest Rate Fair Value Sensitivity Analysis for Floating Rate Liabilities

The fair values of the CJMM's floating rate liability portfolio are sensitive to interest rate changes. The fair values of these liabilities are based on projected cash flows calculated using market projected forward rates. The projected cash flows are then discounted using market implied discount factors.

The table below shows how the fair values of floating rate liabilities change on the basis of the following assumptions:

- The base case interest rate is at current levels (0%)
- A range of values between two percent points upward and one percent point downward movement point in interest rates. Management generally expects interest rates to rise in the future.

#### Fair value sensitivity to the interest rate movement/shift for Floating Rate Loans R'000 000

Class	Fair Value	-1%	-0.50%	0	0.50%	1%	1.50%	2%
Floating Rate Loans	1 971	1 893	1 932	1 971	2 011	2 050	2 089	2 128

#### Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of floating rate liabilities shows that a 1 percentage point increase in interest rates will increase the fair value of floating rate liabilities by approximately R78,4 million and a 1 percentage decrease in interest rates will decrease the fair value by approximately R78,6 million.

#### Interest Rate Cashflow Sensitivity Analysis

The floating rate tables below shows the cash flow sensitivity analysis for floating rate liabilities. The sensitivity analysis is based on the following assumptions:

- The base case interest rate is at current levels (0% changes)
- A two percent upward and one percent downward movement in interest rates.

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### 43. RISK MANAGEMENT (continued)

#### Cash flow sensitivity analysis R'000

Loan name	Institution	Nominal	Issue date	Cash Flow	Rate	Rate option	Interest rate shift						
							-1%	-0.50%	0%	0.50%	1%	1.50%	2%
DBSA 13541-1	DBSA	25 276	31 Mar-02	30-Sept-19 3 months JIBAR + 2.535%	Floating		2 785	2 801	2 817	2 833	2 849	2 865	2 881
				31-Dec-19			2 728	2 740	2 753	2 766	2 779	2 791	2 804
				31-Mar-20			2 674	2 683	2 693	2 703	2 712	2 722	2 731
				30-Jun-20			2 624	2 631	2 637	2 643	2 649	2 655	2 662
				30-Sept-20			2 577	2 580	2 583	2 586	2 589	2 592	2 595
DBSA 102761-1	DBSA	300 000	20-Aug-09	31-Dec-19 6 months JIBAR + 2.85%	Floating		23 529	24 191	24 853	25 514	26 176	26 838	27 499
				30-Jun-20			24 467	25 090	25 714	26 337	26 960	27 584	28 207
				31-Dec-20			22 155	22 753	23 352	23 951	24 549	25 148	25 747
				30-Jun-21			21 612	22 170	22 727	23 286	23 844	24 402	24 959
				31-Dec-21			21 392	21 928	22 463	22 999	23 534	24 070	24 606
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
DBSA 103345-1	DBSA	345 000	17-Apr-09	31-Dec-19 6 months JIBAR + 2.96%	Floating		27 771	28 528	29 284	30 040	30 796	31 552	32 308
				30-Jun-20			26 631	27 342	28 052	28 763	29 473	30 184	30 894
				31-Dec-20			26 126	26 806	27 487	28 167	28 848	29 528	30 209
				30-Jun-21			25 466	26 098	26 731	27 363	27 995	28 627	29 260
				31-Dec-21			25 176	25 780	26 386	26 991	27 596	28 200	28 805
Nedbank	Nedbank	1 349 726	21-Jun-19	30-Sept-19 3 months JIBAR + 2.08%	Floating		50 783	52 521	54 259	55 997	57 735	59 473	61 211
				23-Dec-19			47 001	48 656	50 310	51 965	53 619	55 274	56 928
				23-Mar-20			46 293	47 920	49 546	51 173	52 799	54 426	56 052
				22-Jun-20			45 545	47 143	48 742	50 340	51 938	53 537	55 135
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-

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### 43. RISK MANAGEMENT (continued)

-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-



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	2019	2020	2021	2022	2023	2024	2025
Revenue	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-	-
Selling expenses	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Profit before tax	-	-	-	-	-	-	-
Tax expense	-	-	-	-	-	-	-
Profit after tax	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

The fair value of financial instruments (for example, trading and available for sale securities) is based on quoted market prices at the balance sheet date or determined using valuation techniques.

The CJMM uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

To determine the fair values of floating rate instruments, CJMM uses market forward rates to estimate future interest and capital Cashflow, and then utilises market implied discount rates to calculate their present values.

In terms of GRAP 104, paragraph 118 and 119 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position.

**Level 1:** Fair value are based on quoted prices (unadjusted) in an active market for identical financial instruments.

**Level 2:** Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:** This category uses inputs for the asset or the liability that are not based on observable market data (unobservable inputs).

# City of Johannesburg Metropolitan Municipality

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### 43. RISK MANAGEMENT (continued)

#### Credit/Counterparty Risk

CJMM invests surplus funds with financial institutions for yield enhancement purposes. The credit limit exposure table below depicts all investments with various counterparts as at 30 June 2019.

COUNTERPARTY CLASS	Approved Limit R'000 000	Operational		Ring Fenced		Total Exposure	Available for use	Percentage Utilised
		Call Deposits R'000 000	Fixed Deposits R'000 000	Call Deposit R'000 000	Term deposit R'000 000			
Domestic Banks	7 237	1 842	1 450	45	173	3 509	3 728	48
International Banks	1 050	3	-	-	-	3	1 047	-
	<b>8 287</b>	<b>1 845</b>	<b>1 450</b>	<b>45</b>	<b>173</b>	<b>3 512</b>	<b>4 775</b>	<b>48</b>

#### Portfolio 2

##### Introduction and overview

CJMM has established a sinking fund to redeem its long term borrowings including listed bonds and bilateral loans. The fund is currently managed by an external fund manager.

The fund has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The fund manager has delegated authority to manage the fund in line with the council approved Portfolio Management Agreement.

##### Credit risk

Credit Risk is the risk that counterparty in a financial instrument will fail to discharge an obligation or commitment that it has entered into with the fund, resulting in a financial loss to the fund.

The fund manager invests with counterparties and in instruments meeting criteria set out in the Portfolio Management Agreement

The Fund's maximum credit risk at the reporting date is represented by the respective carrying amount of the relevant financial assets in the statement of financial position at Sunday, 30 June 2019:

Instrument Type	Fair Value R'000 000
Government Bonds	197
Swaps	157
FRN	306
Corporate Bond Assets	1 032
Cash	986
	-
	-
	-
	-
	-

##### Liquidity risk

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### 43. RISK MANAGEMENT (continued)

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. There is also a risk that the fund will not deliver upon its mandate.

The fund 's liquidity risk is managed on a daily basis by the fund manager. The funds's overall liquidity is reported in the risk committee report on a quarterly basis.

#### Maturity analysis for Financial Instruments

The following are the contractual maturities of the funds financial assets:

Class	Trade NPV (Today) R'000 000	Due in less than a year R'000 000	Due in one to two years R'000 000	Due in two to three years R'000 000	Due in three to four years R'000 000	Due in four to five years R'000 000	Due in more than five years R'000 000
Settled Bond Assets	1 228	-	93	-	736	-	399

Class	Trade NPV (Today) R'000 000	Due in less than a year R'000 000	Due in one to two years R'000 000	Due in two to three years R'000 000	Due in three to four years R'000 000	Due in four to five years R'000 000	Due in more than five years R'000 000
FRN Assets	306	306	-	-	-	-	-

Class	Trade NPV (Today) R'000 000	Due in less than a year R'000 000	Due in one to two years R'000 000	Due in two to three years R'000 000	Due in three to four years R'000 000	Due in four to five years R'000 000	Due in more than five years R'000 000
Cash Asset	986	986	-	-	-	-	-

Class	Trade NPV (Today) R'000 000	Due in less than a year R'000 000	Due in one to two years R'000 000	Due in two to three years R'000 000	Due in three to four years R'000 000	Due in four to five years R'000 000	Due in more than five years R'000 000
Swap Assets	157	-	-	-	14	-	157

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### 43. RISK MANAGEMENT (continued)

-	-	-	-	-	-	-	-
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#### Market Risk

The funds market risk is managed on a daily basis by the fund manager in accordance with the Portfolio management agreement. The funds market positions are reported to the Risk Committee on a quarterly basis.

#### Interest rate risk sensitivity analysis

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates.

The sensitivity analysis reflects how changes in underlying interest rates affect the fair value of the financial instruments.

#### Fair Value Sensitivity Analysis

Asset Class	Fair Value Sensitivity to the interest rate movement/shift						
	R'000 000 -1%	R'000 000 -0.5%	R'000 000 0	R'000 000 0.5%	R'000 000 1%	R'000 000 1.5%	R'000 000 2%
Bonds	1 279	1 253	1 228	1 204	1 180	1 158	1 136
FRN	306	306	306	306	306	306	306
IRS	556	375	156	45	(105)	(248)	(382)
Call	986	986	986	986	986	986	986
Net	3 128	2 921	2 677	2 542	2 367	2 202	2 045
<b>Net</b>	<b>6 255</b>	<b>5 841</b>	<b>5 353</b>	<b>5 083</b>	<b>4 734</b>	<b>4 404</b>	<b>4 091</b>

#### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities.

Mechanisms to mitigate operational risk include the following:

- appropriate segregation of duties between various functions, roles and responsibilities;
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards;
- risk management

In light of Council's approval for the City to enter into a termination process with the current Fund Manager by mutual agreement, the City is assessing all risks that may arise in the transition phase with a view to ensure that any such risks are mitigated in a manner that does not negatively impact the City.

# City of Johannesburg Metropolitan Municipality

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### 43. RISK MANAGEMENT (continued)

#### Valuation of financial instruments

The fund measures fair values using the following fair value hierarchy:

- **Level 1:** Fair values of financial assets and financial liabilities are traded in active markets are based on quoted prices or dealer prices.
- **Level 2:** The fund uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange like interest swaps that use only observable market data and require little management, judgment and/ traded derivatives and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value as at 30 June 2019:

	Level 1	Level 2		Total
<b>Financial assets at fair value through profit or loss R'000 000</b>				
Bonds	1 228	-	-	1 228
Floating Rate Notes	-	306	-	306
Interest Rate Swaps	-	156	-	156
Nedbank collateral	986	-	-	986
	<b>2 214</b>	<b>462</b>	<b>-</b>	<b>2 676</b>

In light of Council's approval for the City to enter into a termination process with the current Fund Manager by mutual agreement, the City is continuously engaging with the Fund Manager in a manner that minimizes risks and disruptions to the fund's operations. Additional text

### 44. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance as previously reported	14 407	5 343
<b>Opening balance as restated</b>	<b>14 407</b>	<b>5 343</b>
Less: Amount written off - current	(2 218)	-
Add: Expenditure - current	603	9 064
<b>Closing balance</b>	<b>12 792</b>	<b>14 407</b>

### 45. IRREGULAR EXPENDITURE

Opening balance	2 724 270	1 855 963
Irregular expenditure current year	642 736	868 307
	<b>3 367 006</b>	<b>2 724 270</b>
Certified by Council as irrecoverable and written-off	(31 299)	-
<b>Closing balance</b>	<b>3 335 707</b>	<b>2 724 270</b>

#### Irregular Expenditure current year movement

Contracts identified as irregular	642 696	860 926
Splitting of orders, quotes, invoices	-	-
Poor performance, BEE certificate, tax invoice, tax clearance - not submitted, not original or invalid	-	-
Awards to persons in service of state	-	-
Non-Compliance with SCM policies	40	7 380
	<b>642 736</b>	<b>868 306</b>

# City of Johannesburg Metropolitan Municipality

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## Notes to the Annual Financial Statements

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<b>46. UNAUTHORISED EXPENDITURE</b>		
Opening balance as previously reported	4 406 768	4 102 263
<b>Opening balance as restated</b>	<b>4 406 768</b>	<b>4 102 263</b>
Less: Amount written off - current	(661 062)	-
Add: Cash Items - Expenditure - current	3 763	304 505
Add: Non-Cash items - Expenditure - current	476 865	-
<b>Closing balance</b>	<b>4 226 334</b>	<b>4 406 768</b>

# City of Johannesburg Metropolitan Municipality

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Contributions to organised local government

Council subscriptions	-	9 476
Amount paid - current year	-	(9 476)
	-	-

#### Skills development levy

Opening balance	4 567	3 940
Current year subscription / fee	64 849	52 948
Amount paid - current year	(59 245)	(48 381)
Amount paid - previous years	(4 567)	(3 940)
	<b>5 604</b>	<b>4 567</b>

#### Audit fees

Opening balance	1 349	843
Current year audit fee	25 461	27 539
Amount paid - current year	(25 731)	(27 033)
	<b>1 079</b>	<b>1 349</b>

#### PAYE and UIF

Opening balance	84 039	72 406
Current year payroll deductions	1 262 734	997 713
Amount paid - current year	(1 150 801)	(913 674)
Amount paid - previous years	(84 039)	(72 406)
	<b>111 933</b>	<b>84 039</b>

#### Pension and Medical Aid Deductions

Opening balance	132 247	121 755
Current year payroll deductions and council contributions	1 779 484	1 556 064
Amount paid - current year	(1 629 008)	(1 423 817)
Amount paid - previous years	(132 247)	(121 755)
	<b>150 476</b>	<b>132 247</b>

#### VAT

VAT receivable	213 169	420 702
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All VAT returns have been submitted by the due date throughout the year.

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

30 June 2019	Outstanding less than 90 days Rands	Outstanding more than 90 days Rands	Total R
Lekgetho JK	2 200	6 749	8 949
McBason M	1 364	813	2 177
Netnow DM	22 676	180 843	203 519
Ngalonkulu MJ	12 457	58 594	71 051
Tsotesti EM	2 615	2 081	4 696
	<b>41 312</b>	<b>249 080</b>	<b>290 392</b>
30 June 2018	Outstanding less than 90 days (Rands)	Outstanding more than 90 days (Rands)	Total R
Bora E C	2 816	22 380	25 196
Cele DW	1 474	195	1 669
Dewes DS	14 974	64 692	79 666
Dlanjwa	827	3 748	4 575
Khumalo NV	6 773	14 865	21 638
Lekgetho JK	10 943	23 029	33 972
Mabe MJ	509	135	644
Mahlangu GT	1 826	8 090	9 916
Maluleke MF	1 114	1 843	2 957
Matongo J	710	245	955
Matsemela RW	7 733	2 214	9 947
Mazibukwana M	269	1 471	1 740
McBason	1 635	14 244	15 879
Mofokeng J	941	6 711	7 652
Mokwena	1 395	36 815	38 210
Molete B	4 946	370 708	375 654
Nawane T	7 793	30 601	38 394
Ndlela MC	-	594	594
Netnow DM	22 664	172 798	195 462
Ngalonkulu MJ	11 868	56 025	67 893
Pietersen N	6 606	67 594	74 200
Tsotetsi E M	2 719	28 249	30 968
Tsutsa LS	6 189	3 739	9 928
Xazi ZK	865	2 919	3 784
Xezwi MS	1 395	4 939	6 334
Zondo VE	48	20 761	20 809
	<b>119 032</b>	<b>959 604</b>	<b>1 078 636</b>



# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

### 48. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

During the year under review the municipality gave the following award to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state for the previous twelve months

Name of the person (Service of the State)	Capacity	Name of the person/company award	Name of company	Amount in Rand Thousand
Cornelius Mokgoshing Ratau	Co-ordinator: Committees		LLM Innovative Company (Pty) Ltd	25
Warren Michael	Accountant	Natali Michael	Zeda Car Leasing t/a Avis fleet	446 743
Faroz Khan	Unit Head: Revenue	Loonat Safeera Mohamed	KPMG Services (Pty) Ltd	11 039
Mrs. J Scheepers	Chief Financial Analyst	Mr. J Scheepers	Novus3 (Pty) Ltd	4 124

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 49. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Departments	Reg 36(1)(a)(v)	Reg 36(1)(a)(i)(v)	Reg 36(1)(a)(ii)(v)	Reg 36(1)(b)
DPUM	6 982	-	-	-
EISD	-	-	-	66
CRUM	4	-	-	-
Communications	-	-	-	122
GCSS	357 087	571 944	-	-
Governance	-	-	-	6 333
GICT	128 014	-	-	-
Housing	927 350	-	-	-
Speaker	-	-	-	47
Public Safety	-	-	-	7
Transport	-	-	3 313	-
	<b>1 419 437</b>	<b>571 944</b>	<b>3 313</b>	<b>6 575</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 50. HEDGING ACTIVITIES

During the financial year 2010/2011, CJMM entered into an interest rate swap by exchanging the Nedbank R1 billion 3 months JIBAR rate + 280 bsp for a 11.66% fixed interest rate.

#### Swap Details

Trade Date :	30 March 2011
Settlement Date:	29 March 2018
Nominal Amount:	R 1 billion
Fixed Rate:	11.66%
Payable:	Semi- annual

The cash flow hedge was ineffective for the year ended 30 June 2015 and it no longer met the criteria for hedge accounting as per IAS 39 par 88. The City of Johannesburg has therefore discontinued applying hedge accounting.

#### CASH FLOW RESERVE

Opening Balance	-	1 386
Distribution to profit and loss	-	(1 386)
	-	-

Note that the SWAP value represents the clean fair value as at 30 June 2017 ( All inclusive price less any SWAP interest accrual outstanding)

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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### 51. CHANGE IN ESTIMATE

#### Property rates

The change in estimate amount included in revenue are due to change in property values, implementation of appeal board decisions, property subdivisions and consolidations and property categories.

The change in estimate for property Rates and Taxes amounted to R30 121 583 (2018: R15 388 189)

#### Traffic Fines

The amount relates to traffic fines accounted for as invalid in the previous year, this was due to these not being posted to traffic offenders within the prescribed period. These fines were subsequently collected by JMPD in the current year.

The change in estimates for fines amounted to R21 616 569 (2018: R15 496 878).

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 52. RELATED PARTIES

#### Relationships

Controlling entity	The City of Johannesburg Metropolitan Municipality
Shareholder Loans	City of Johannesburg Metropolitan Municipality 16
Joint ventures	Johannesburg City Parks
Associates	Johannesburg Metropolitan Bus Services (Pty) Ltd 17
Shareholder with significant influence	Johannesburg Social Housing Company (Pty) Ltd
Shareholder with joint control	City Power Johannesburg (Pty) Ltd
Close family member of key management	Johannesburg Development Agency (Pty) Ltd
Joint venture of key management	Johannesburg Roads Agency (Pty) Ltd
Associate of close family member of key management	Johannesburg Water (Pty) Ltd
Post employment benefit plan for employees of entity and/or other related parties	The Johannesburg Civic Theatre (Pty) Ltd
Post employment benefit plan for employees of a related party of a close family member of key management	The Johannesburg Fresh Produce Market (Pty) Ltd
Members of key management	Pikitup Johannesburg (Pty) Ltd

#### Related party balances

##### Amounts included in Loans,

##### Trade and other receivables with related parties

City Power Johannesburg (Pty) Ltd	7 073 092	5 239 366
City of Johannesburg Property Company (Pty) Ltd	367 897	548 200
Johannesburg City Parks	51 960	36 662
Johannesburg Development Agency (Pty) Ltd	468 271	345 003
Johannesburg Metropolitan Bus Services (Pty) Ltd	834 326	857 849
Johannesburg Roads Agency (Pty) Ltd	103 718	114 051
Johannesburg Social Housing Company (Pty) Ltd	318 974	164 264
Johannesburg Water (Pty) Ltd	4 350 016	4 236 275
Metropolitan Trading Company (Pty) Ltd	1 850 716	1 647 952
Pikitup Johannesburg (Pty) Ltd	1 024 370	1 015 237
The Johannesburg Civic Theatre (Pty) Ltd	808	817
The Johannesburg Fresh Produce Market (Pty) Ltd	54 510	65 674
	<b>16 498 658</b>	<b>14 271 350</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand

### 52. RELATED PARTIES (continued)

#### Amounts included in Loans,

#### Trade and other payables with related parties

City Power Johannesburg (Pty) Ltd	1 320 261	1 292 554
City of Johannesburg Property Company (Pty) Ltd	402 390	593 503
Johannesburg City Parks	748 386	688 262
Johannesburg Development Agency (Pty) Ltd	745 128	855 742
Johannesburg Metropolitan Bus Services (Pty) Ltd	42 249	40 518
Johannesburg Roads Agency (Pty) Ltd	1 142 731	945 160
Johannesburg Social Housing Company (Pty) Ltd	213 165	340 535
Johannesburg Water (Pty) Ltd	1 155 126	677 391
Metropolitan Trading Company (Pty) Ltd	840 794	507 493
Pikitup Johannesburg (Pty) Ltd	1 187 758	1 265 055
The Johannesburg Civic Theatre (Pty) Ltd	2 741	9 122
The Johannesburg Fresh Produce Market (Pty) Ltd	313 644	154 308
	<b>8 114 373</b>	<b>7 369 643</b>

#### Related party transactions

#### Revenue from related parties

City Power Johannesburg (Pty) Ltd	681 129	533 868
City of Johannesburg Property Company (Pty) Ltd	34 580	36 960
Johannesburg City Parks	8 195	6 944
Johannesburg Development Agency (Pty) Ltd	22 885	41 112
Johannesburg Metropolitan Bus Services (Pty) Ltd	67 650	70 402
Johannesburg Roads Agency (Pty) Ltd	21 343	9 145
Johannesburg Social Housing Company (Pty) Ltd	988	5 381
Johannesburg Water (Pty) Ltd	522 565	545 115
Metropolitan Trading Company (Pty) Ltd	144 166	129 469
Pikitup Johannesburg (Pty) Ltd	89 314	83 056
The Johannesburg Civic Theatre (Pty) Ltd	422	196
The Johannesburg Fresh Produce Market (Pty) Ltd	4 519	5 105
	<b>1 597 756</b>	<b>1 466 753</b>

#### Operating Expenditure

City Power Johannesburg (Pty) Ltd	100 998	153 149
City of Johannesburg Property Company (Pty) Ltd	778 771	681 951
Johannesburg City Parks	900 556	796 794
Johannesburg Development Agency (Pty) Ltd	39 243	30 345
Johannesburg Metropolitan Bus Services (Pty) Ltd	547 734	506 522
Johannesburg Roads Agency (Pty) Ltd	1 154 851	940 312
Johannesburg Social Housing Company (Pty) Ltd	34 830	20 601
Johannesburg Water (Pty) Ltd	498 317	404 610
Metropolitan Trading Company (Pty) Ltd	378 718	246 614
Pikitup Johannesburg (Pty) Ltd	593 177	676 446
The Johannesburg Civic Theatre (Pty) Ltd	143 759	124 469
The Johannesburg Fresh Produce Market (Pty) Ltd	21 934	11 455
	<b>5 192 888</b>	<b>4 593 268</b>

#### Commitments

Johannesburg Development Agency (Pty) Ltd	1 333 059	2 265 944
Johannesburg City Parks & Zoo	13 711	-
Johannesburg Roads Agency (Pty) Ltd	437 076	462 640
	<b>1 783 846</b>	<b>2 728 584</b>

These commitments with related parties are also included in note 43

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand thousand	2019	2018
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### 53. LOANS FROM MES

Non-current liabilities	438 146	426 338
Current liabilities	-	-
	<b>438 146</b>	<b>426 338</b>

#### Notional Accounts

The liability with the municipality entities were undertaken by the City of Johannesburg Metropolitan Municipality to cover the portion of the post retirement liability accrued for the employees of City of Johannesburg Metropolitan Municipality who were transferred to municipal entities when they were established. The amount of the liability was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest and against which the municipal entities may claim benefit payments.

#### Medical Aid Notional loan account

Opening balance	167 631	159 004
Finance cost	10 950	10 462
Payments	(1 242)	(1 835)
	<b>177 339</b>	<b>167 631</b>

#### Gratuities Notional loan account

Opening balance	258 707	259 316
Finance cost	16 894	17 062
Payments	(14 794)	(17 671)
	<b>260 807</b>	<b>258 707</b>

Notional accounts liability	438 146	426 338
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### 54. OPERATING LEASE (LESSOR)

#### Minimum Lease Payments due

Within one year	13 283	16 364
In second to fifth year	35 047	70 366
Later than five years	87 388	151 102
	<b>135 718</b>	<b>237 832</b>

The rental income is in relation to the leasing of properties with an average escalation of 4,4% per annum.

### 55. CASH MANAGEMENT

Since 2013 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R8 033 000 (2018: R15 162 000). These losses incurred led to monies which were never credited into the City's bank account. Management is in the process of prosecuting personnel alleged to have undertaken fraudulent activities and/or have been negligent in the execution of their duties. Cases have also been opened with the SAPS with a view inter alia to recovering the monies. Investigations are almost complete and based on the outcome of these investigations actions have already been taken and will continue to be taken to improve controls and hold the relevant parties accountable. The loss is included under general expenditure.

Opening Balance	86 968	71 806
Current year losses	8 033	15 162
	<b>95 001</b>	<b>86 968</b>

# City of Johannesburg Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

## Company Secretary's Certification

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### 56. FINANCE INCOME

#### Interest revenue

Interest on Loans to MEs	824 129	867 345
Finance leases	21 086	27 551
Interest on Investments	559 075	440 852
Interest on Consumer Debtors	205 751	139 668
Interest on Kelvin Power debtor	30 300	30 788
	<b>1 640 341</b>	<b>1 506 204</b>

### 57. FINANCE COSTS

Interest on Loans and Borrowings	2 241 397	2 356 832
Sweeping Interest	154 170	113 918
Employee benefit obligation	116 005	128 645
Other interest	32 705	31 952
	<b>2 544 277</b>	<b>2 631 347</b>